IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER
(1) QUALIFIED INSTITUTIONAL BUYERS ("QIBs") UNDER RULE 144A OR
(2) LOCATED OUTSIDE OF THE UNITED STATES AND ARE NOT U.S. PERSONS

IMPORTANT: You must read the following before continuing. The following applies to the preliminary offering memorandum following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the preliminary offering memorandum. In accessing the preliminary offering memorandum, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from us as a result of such access.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE OR SOLICITATION IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES DISCUSSED IN THE ATTACHED PRELIMINARY OFFERING MEMORANDUM HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE FOLLOWING PRELIMINARY OFFERING MEMORANDUM MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS. ANY INVESTMENT DECISION SHOULD BE MADE ON THE BASIS OF THE FINAL TERMS AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN THIS PRELIMINARY OFFERING MEMORANDUM. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF THE FOREGOING RESTRICTIONS, YOU ARE NOT AUTHORIZED AND WILL NOT BE ABLE TO PURCHASE ANY OF THE SECURITIES DESCRIBED THEREIN.

Confirmation of your Representation: In order to be eligible to view this preliminary offering memorandum or make an investment decision with respect to the securities, investors must be either (1) "qualified institutional buyers" or "QIBs" (within the meaning of Rule 144A under the Securities Act) or (2) located outside the United States and are not "U.S. persons" (within the meaning of Regulation S under the Securities Act).

This preliminary offering memorandum is being sent at your request and by accepting the e-mail and accessing this preliminary offering memorandum, you shall be deemed to have represented to us (1) you and any customers you represent are either (a) QIBs or (b) located outside the United States and are not U.S. persons and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States and (2) that you consent to delivery of this preliminary offering memorandum by electronic transmission.

You are reminded that this preliminary offering memorandum has been delivered to you on the basis that you are a person into whose possession this preliminary offering memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorized to, deliver or disclose this preliminary offering memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the initial purchasers or any affiliate of the initial purchasers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the initial purchasers or such affiliate on behalf of the Issuers in such jurisdiction.

This preliminary offering memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of BNP Paribas, Citigroup Global Markets Inc., J.P. Morgan Securities LLC, SMBC Nikko Securities America, Inc., BofA Securities, Inc., Morgan Stanley & Co. LLC, MUFG Securities Americas Inc., Scotia Capital (USA) Inc., ANZ Securities, Inc., Commonwealth Bank of Australia, Bank of China Limited, Singapore Branch or the Issuers, nor any person who controls BNP Paribas, Citigroup Global Markets Inc., J.P. Morgan Securities LLC, SMBC Nikko Securities America, Inc., BofA Securities, Inc., Morgan Stanley & Co. LLC, MUFG Securities Americas Inc., Scotia Capital (USA) Inc., ANZ Securities, Inc., Commonwealth Bank of Australia, Bank of China Limited, Singapore Branch or the Issuers or any affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the preliminary offering memorandum distributed to you in electronic format and the hard copy version available to you on request from BNP Paribas, Citigroup Global Markets Inc., J.P. Morgan Securities LLC, SMBC Nikko Securities America, Inc., BofA Securities, Inc., Morgan Stanley & Co. LLC, MUFG Securities Americas Inc., Scotia Capital (USA) Inc., ANZ Securities, Inc., Commonwealth Bank of Australia, Bank of China Limited, Singapore Branch or the Issuers.

The information in this preliminary offering memorandum is not complete and may be changed. This preliminary offering memorandum is not an offer to sell the securities, nor a solicitation to buy the securities, in any jurisdiction where the offer or sale is not permitted.

The information in this preliminary offering memorandum is not complete and may be changed. This preliminary offering memorandum is not an offer to sell these securities and is not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

SCENTRE GROUP

Scentre Management Limited

(ABN 41 001 670 579)
in its capacity as responsible entity and trustee of
Scentre Group Trust 1
(ARSN 090 849 746)
and

RE1 Limited

(ABN 80 145 743 862)
in its capacity as responsible entity and trustee of
Scentre Group Trust 2
(ARSN 146 934 536)

US$ % Guaranteed Senior Notes due

Fully and unconditionally guaranteed by
Scentre Group Limited
ABN 66 001 671 496
and
RE2 Limited
ABN 41 145 744 065
in its capacity as responsible entity and trustee of Scentre Group Trust 3
ARSN 146 934 652

Scentre Management Limited, in its capacity as responsible entity and trustee of Scentre Group Trust 1, and RE1 Limited, in its capacity as responsible entity and trustee of Scentre Group Trust 2 (together, the "Issuers"), are offering US$ aggregate principal amount of % Guaranteed Senior Notes due (the "Notes"). Interest on the Notes will be payable semi-annually in arrears on and of each year, commencing on , 2020. The Issuers may redeem some or all of the Notes prior to maturity at the price determined as described under "Description of the Notes and Guarantees—Optional Redemption." If certain tax events occur, the Notes may be redeemed in whole but not in part at 100% of their principal amount, plus accrued and unpaid interest.

The Notes will be unsecured and unsubordinated obligations of the Issuers and will rank equally with the Issuers' existing and future unsecured and unsubordinated debt, except indebtedness mandatorily preferred by law. The Notes will be guaranteed on a joint and several basis by Scentre Group Limited and RE2 Limited, in its capacity as responsible entity and trustee of Scentre Group Trust 3 (each, a "parent guarantor," and together, the "parent guarantors"). In addition, the Notes will be guaranteed on a joint and several basis by Scentre Finance (Aust) Limited and RE (NZ) Finance Limited (the "subsidiary guarantors," and collectively with the parent guarantors, the "guarantors"). The guarantees will be unsecured and unsubordinated obligations of the guarantors and will rank equally with all existing and future unsecured and unsubordinated debt of each guarantor, except indebtedness mandatorily preferred by law.

The Notes will not be listed on any securities exchange. There is currently no public market for the Notes.

Investing in the Notes involves risks. See "Risk Factors" beginning on page 18.

Price for Notes: % plus accrued interest, if any, from , 2020.

The Notes and the guarantees have not been registered under the Securities Act of 1933 (the "Securities Act"), or any state securities laws. Accordingly, the Notes and the guarantees are being offered and sold only to qualified institutional buyers in the United States in accordance with Rule 144A under the Securities Act ("Rule 144A") and outside the United States in accordance with Regulation S under the Securities Act ("Regulation S"). Prospective investors that are qualified institutional buyers are hereby notified that the seller of the Notes and the guarantees may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfers of the Notes and the guarantees, see "Notice to Investors."

The Issuers expect the Notes to be ready for delivery in book-entry form through the facilities of The Depository Trust Company ("DTC") and its participants, including Clearstream Banking S.A. ("Clearstream") and Euroclear Bank SA/NV ("Euroclear"), on or about , 2020.

Joint Book-Running Managers

BNP PARIBAS **Citigroup** **J.P. Morgan** **SMBC Nikko**
BofA Securities **Morgan Stanley** **MUFG** **Scotiabank**
ANZ Securities **Commonwealth Bank of Australia**

Co-Manager
Bank of China

, 2020

You should rely only on the information contained in this offering memorandum and in any pricing term sheet the initial purchasers provide you. We have not, and the initial purchasers, as defined under "Plan of Distribution," have not, authorized anyone to provide you with different information. We are not, and the initial purchasers are not, making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information contained in this offering memorandum is accurate as of any date other than the date on the front of this offering memorandum.

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This offering memorandum has been prepared by us solely for use in connection with the proposed offering of the Notes described in this offering memorandum. This offering memorandum is personal to each offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire securities. Distribution of this offering memorandum to any person other than the prospective investor and any person retained to advise such prospective investor with respect to its purchase is unauthorized, and any

disclosure of any of its contents, without our prior written consent, is prohibited. Each prospective investor, by accepting delivery of this offering memorandum, agrees to the foregoing and to make no copies of this offering memorandum or any documents referred to in this offering memorandum.

Notwithstanding anything in this offering memorandum to the contrary, each prospective investor (and each employee, representative or other agent of each prospective investor) may disclose to any and all persons, without limitation of any kind, the tax treatment and tax structure of the transactions described in this offering memorandum and all materials of any kind (including opinions and other tax analysis) that are provided to the prospective investor relating to such tax treatment and tax structure (as such terms are defined in United States Treasury Regulation section 1.6011-4). This authorization of tax disclosure is retroactively effective to the commencement of discussions between the Issuers, the guarantors and the initial purchasers or their respective representatives and each prospective investor regarding the transactions described in this offering memorandum.

None of the initial purchasers, the Trustee or the Agents (as defined below) make any representation or warranty, express or implied, as to the accuracy or completeness of the information contained in this offering memorandum. Nothing contained in this offering memorandum is, or shall be relied upon as, a promise or representation by the initial purchasers, the Trustee or the Agents as to the past or future. We have furnished the information contained in this offering memorandum. None of the initial purchasers, the Trustee or the Agents assume any responsibility for the accuracy or completeness of any such information.

Neither the Securities and Exchange Commission ("SEC"), any state securities commission nor any other regulatory authority, has approved or disapproved the Notes or the guarantees nor have any of the foregoing authorities passed judgment upon or endorsed the merits of this offering or the accuracy or adequacy of this offering memorandum.

The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under the Securities Act and the applicable state securities laws pursuant to registration or exemption therefrom. As a prospective investor, you should be aware that you may be required to bear the financial risks of this investment for an indefinite period of time. Please refer to "Plan of Distribution" and "Notice to Investors."

In making an investment decision, prospective investors must rely on their own examination of the Issuers and the guarantors and the terms of the offering, including the merits and risks involved. Prospective investors should not construe anything in this offering memorandum as investment, legal, business or tax advice. Each prospective investor should consult its own advisors as needed to make its investment decision and to determine whether it is legally permitted to purchase the Notes under applicable legal investment or similar laws or regulations.

In this offering memorandum, we rely on and refer to information and statistics regarding our industry. We obtained this market data from independent industry publications or other publicly available information. Although we believe that these sources are reliable, we have not independently verified and do not guarantee the accuracy and completeness of this information.

This offering memorandum contains summaries believed to be accurate with respect to certain documents, but reference is made to the actual documents for complete information. All such summaries are qualified in their entirety by such reference. Copies of documents referred to herein will be made available to prospective investors upon request to us or the initial purchasers.

This offering memorandum is not, and is not intended to be a disclosure document within the meaning of section 9 of the Australian Corporations Act 2001 (Cth) (the "Australian Corporations Act") or a Product Disclosure Statement for the purposes of Chapter 7 of the Australian Corporations Act. No action has been taken

by us that would permit a public offering of the Notes in Australia. In particular, this offering memorandum has not been lodged or registered with the Australian Securities and Investments Commission ("ASIC").

Notes may not be offered for sale nor may applications for the sale or purchase of any Notes be invited in Australia (including an offer or invitation that is received by a person in Australia) and neither this offering memorandum, any supplement hereto, nor any advertisement or other offering material relating to the Notes may be distributed or published in Australia unless (i) (A) the aggregate amount payable on acceptance of the offer by each offeree or invitee for the Notes is a minimum amount (disregarding amounts, if any, lent by the person offering the Notes or its associates) of A$500,000 (or its equivalent in another currency), or (B) the offer or invitation is otherwise an offer or invitation for which no disclosure is required to be made under Part 6D.2 or Chapter 7 of the Australian Corporations Act, (ii) the offer, invitation or distribution complies with all applicable laws and regulations relating to the offer, sale and resale of the Notes in the jurisdiction in which such offer, sale and resale occurs, and (iii) such action does not require any document to be lodged with ASIC.

This offering memorandum is not a prospectus for the purposes of the Prospectus Regulation (as defined below). This offering memorandum has been prepared on the basis that all offers of the Notes in any Relevant State (as defined below) will be made pursuant to an exemption under the Prospectus Regulation from the requirement to produce a prospectus in connection with offers of the Notes.

The offer and marketing of the Notes is being conducted only to professional clients (as defined under Directive 2014/65/EU (as amended, "MIFID II")) in Germany, France, the Netherlands, the United Kingdom, Denmark, Finland, Italy, Spain, Belgium, Austria, Luxembourg, Portugal and Ireland (the "Relevant AIFMD Jurisdictions") and is not being conducted in any other European Union member state. If a potential investor is not in a Relevant AIFMD Jurisdiction or otherwise is a person to whom the Notes cannot be marketed in accordance with Directive 2011/61/EU (the "Directive") as implemented and interpreted in accordance with the laws of each European Union member state and the United Kingdom, it should not participate in the offering and the Notes are not being offered or marketed to it. Potential investors should note that this offering memorandum has been prepared solely for use in connection with Notes to be issued in the offering, and not for any other purpose. In particular, this offering memorandum is not being, and may not be, used in connection with any offer or marketing (as such term is defined under the Directive) of any units or shares of any entity. In addition, none of the Issuers has been licensed for distribution with the Swiss Financial Market Supervisory Authority ("FINMA") as a foreign collective investment scheme pursuant to Article 120 of the Swiss Federal Act on Collective Investment Schemes of June 23, 2006, as amended ("CISA") and none of the Issuers has appointed a Swiss paying agent and representative. Accordingly, investors in the Notes do not benefit from the specific investor protection provided by CISA and the supervision by the FINMA. In Switzerland, the Notes are exclusively offered and sold to institutional clients pursuant to Article 4 para. 4 of the Swiss Federal Act on Financial Services of June 15, 2018 (the "FinSA"). This offering memorandum or any other information supplied in connection with the offering may not be taken or transmitted into, or distributed, directly or indirectly in Switzerland, save that it may be handed out and made available in Switzerland exclusively to institutional clients pursuant to Article 4 para. 4 of FinSA.

This offering memorandum has not been reviewed or approved by the Central Bank of Ireland, the UK Listing Authority or any other competent authority and does not constitute a prospectus for the purposes of the European Union's Regulation (EU) 2017/1129 (the "Prospectus Regulation").

This offering memorandum has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area (the "EEA") or in the United Kingdom (each a "Relevant State") will only be made to a legal entity which is a qualified investor under the Prospectus Regulation ("Qualified Investor"). Accordingly any person making or intending to make an offer in that Relevant State of Notes which are the subject of an offering contemplated in this offering memorandum may only do so with respect to Qualified Investors. None of the Issuers, the guarantors or any initial purchaser has authorized, nor do they authorize, the making of any offer of Notes other than to Qualified Investors.

PRIIPs REGULATION—PROHIBITION OF SALES TO EEA AND UK RETAIL INVESTORS—The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the EEA or in the United Kingdom. For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "Insurance Distribution Directive"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) a person or entity that is not a qualified investor as defined in the Prospectus Regulation. Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "PRIIPs Regulation") for offering or selling the Notes or otherwise making them available to retail investors in the EEA or in the United Kingdom has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA or in the United Kingdom may be unlawful under the PRIIPs Regulation.

MIFID II PRODUCT GOVERNANCE / PROFESSIONAL INVESTORS AND ECPS ONLY TARGET MARKET—Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in MiFID II; and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. Any person subsequently offering, selling or recommending the Notes (a "distributor") should take into consideration the manufacturer's target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

The communication of this offering memorandum and any other document or materials relating to the issue of the Notes offered hereby is not being made, and such documents and/or materials have not been approved, by an authorized person for the purposes of section 21 of the United Kingdom's Financial Services and Markets Act 2000, as amended (the "FSMA"). Accordingly, such documents and/or materials are not being distributed to, and must not be passed on to, the general public in the United Kingdom. This offering memorandum is only being distributed to, and is only directed at, and any offer subsequently made may only be directed at, persons in the United Kingdom who (i) have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order"), (ii) are high net worth entities, falling within Article 49(2)(a) to (d) of the Order, or (iii) any other persons to whom it may otherwise lawfully be communicated pursuant to the Order (each such person being referred to as a "relevant person"). This offering memorandum and its contents should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this offering memorandum or any of its contents. In the United Kingdom, any investment or investment activity to which this offering memorandum relates is only available to, and will only be engaged in with, a relevant person.

No action has been taken to permit the Notes to be directly or indirectly offered, sold or delivered to any retail investor, or otherwise under any regulated offer, in terms of the New Zealand Financial Markets Conduct Act 2013 (the "FMCA"). In particular, no product disclosure statement or limited disclosure document under the FMCA has been or will be prepared or lodged in New Zealand in relation to the Notes.

Neither this offering memorandum nor any advertisement in relation to the Notes may be distributed, published, delivered or disseminated to any person in New Zealand other than to "wholesale investors" as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the FMCA, being a person who is: (a) an "investment business; (b) "large"; or (c) a "government agency," in each case as defined in Schedule 1 to the FMCA. For the avoidance of doubt, the Notes may not be offered or transferred to, among others, any "eligible investors" (as defined in clause 41 of Schedule 1 to the FMCA) or to any person who, under clause 3(2)(b) of Schedule 1 to the FMCA, meets the investment activity criteria specified in clause 38 of that Schedule.

The contents of this offering memorandum have not been reviewed by any regulatory authority in the Hong Kong Special Administrative Region of the People's Republic of China ("Hong Kong"). You are advised to exercise caution in relation to the offer. If you are in any doubt about any of the contents of this offering memorandum, you should obtain independent professional advice.

Notification under Section 309B(1)(c) of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA")—In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "CMP Regulations 2018"), the Issuers have determined, and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA) that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

FORWARD-LOOKING STATEMENTS

This offering memorandum includes forward-looking statements within the meaning of Section 27A of the Securities Act, Section 21E of the Securities Exchange Act of 1934 (the "Exchange Act") and the Private Securities Litigation Reform Act of 1995. Some of these statements can be identified by terms and phrases such as "anticipate," "should," "likely," "foresee," "believe," "estimate," "expect," "intend," "continue," "could," "may," "plan," "project," "predict," "will," and similar expressions and include references to assumptions that we believe are reasonable and relate to our future prospects, developments and business strategies. Such statements reflect our current views and assumptions with respect to future events and are subject to risks and uncertainties.

Many factors could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. Factors that could cause our actual results to differ materially from those expressed or implied in such forward-looking statements, include, but are not limited to:

- the impact of the COVID-19 pandemic on our tenants' financial condition and the profitability and value of our properties;
- recessionary or low economic growth conditions in our markets;
- changes to general economic conditions in Australia and New Zealand;
- the level of tenant default and our ability to continue to lease space on market terms;
- negative changes in the financial condition of our anchor tenants;
- fluctuations in the value of our properties, including as a result of the COVID-19 pandemic;
- changes in consumer sentiment or shopping preferences;
- the emergence of alternative retail channels, especially online retailers;
- the impact of a terrorist attack or other significant security incident at a shopping center could harm the demand for and value of our properties;
- cyber security risks;
- conflicts of interest involved with our jointly-owned properties;
- termination of our property management agreements;
- the financial health of our joint venture partners and their ability to raise future funds for any proposed joint venture development or redevelopment activities;
- our ability to raise future funds in the debt or equity markets for financing, refinancing and liquidity needs on favorable terms, or at all;
- changes in our credit rating;
- the lack of economic diversity resulting from the geographical concentration of our real estate portfolio;
- the risks associated with property acquisition and redevelopments;
- competition in the real estate industry;
- the illiquidity of our investments in property;
- litigation and claims;
- the failure of our internal control systems;

- our properties being uninsured or underinsured against various catastrophic losses;
- the impact of inflation;
- fluctuations in interest rates and foreign exchange rates;
- a payment default by one or more of our counterparties;
- changes in our financial reporting and accounting policies or changes in applicable accounting standards.
- regulatory issues and changes in laws, including tax laws;
- our ability to attract and/or retain personnel who are critical to our business;
- our ability to pay down debt, and reduce our leverage ratio to appropriate levels; and
- our ability to generate sufficient cash flow.

These forward-looking statements speak only as of the date of this offering memorandum. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The foregoing factors that could cause our actual results to differ materially from those contemplated in any forward-looking statement included in this offering memorandum should not be construed as exhaustive. You should also read, among other things, the risks and uncertainties described in "Risk Factors" and in the documents that we refer to in "Available Information." We qualify all of our forward-looking statements by these cautionary statements.

AVAILABLE INFORMATION

Neither Scentre Group nor any of the entities that comprise Scentre Group are subject to the information and reporting requirements of the Exchange Act. While any Notes remain outstanding, we will during any period in which we are not subject to Section 13 or 15(d) of the Exchange Act, or are exempt from reporting pursuant to Rule 12g3-2(b) under the Exchange Act, make available to any "qualified institutional buyer," or QIB, who holds any Notes and any prospective purchaser of a Note who is a QIB designated by such holder of such Note, upon the request of such holder or prospective purchaser, the information required to be provided to such holder or prospective purchaser by Rule 144A(d)(4) under the Securities Act. We file annual reports and half-year reports with the Australian Securities Exchange ("ASX"). You may obtain copies of the documents filed with the ASX from its website at www.asx.com.au. These documents are not incorporated into this offering memorandum.

None of the information on our website is incorporated by reference herein or otherwise deemed to be a part of this offering memorandum. Any references to websites are for informational purposes only.

ENFORCEMENT OF CIVIL LIABILITIES

The Issuers, parent guarantors and all of the subsidiary guarantors are entities organized under the laws of either Australia or New Zealand. All the directors and officers of these entities reside outside the United States, principally in Australia and New Zealand. A substantial portion of the assets of these entities, and the assets of the directors, officers and experts, including Scentre Group's independent auditors, are located outside the United States. Therefore, you may not be able to effect service of process within the United States upon these entities or persons so that you may enforce judgments of United States courts against them in the United States based on the civil liability provisions of the United States federal securities laws.

In addition, there are doubts as to the enforceability in Australia and New Zealand, in original actions or in actions for enforcement of judgments of United States courts, of civil liabilities based on United States federal

securities laws. Also, judgments of United States courts (whether or not such judgments relate to United States federal securities laws) will not be enforceable in Australia and New Zealand in certain other circumstances, including, among others, where such judgments contravene local public policy, breach the rules of natural justice or general principles of fairness or are obtained by fraud, are not for a fixed or readily ascertainable sum, are subject to appeal, dismissal, stay of execution or otherwise not final and conclusive, or involve multiple or punitive damages or where the proceedings in such courts are of a revenue or penal nature.

The liability of Ernst & Young with respect to civil claims (in tort, contract or otherwise) arising out of its audits of the financial statements of Scentre Group and its consolidated entities included in this offering memorandum is limited by the scheme approved under the Professional Standards Act 1994 (NSW) in Australia (the "NSW Accountants' Scheme"). The NSW Accountants' Scheme does not apply to liability for damages arising from a breach of trust, or fraud or dishonesty. Ernst & Young's liability for misleading and deceptive conduct arising under the Australian Competition and Consumer Act 2010 is also limited by a scheme approved under Professional Standards Legislation.

AUSTRALIAN EXCHANGE CONTROLS

The Financial Transaction Reports Act 1988 (Cth) (the "Financial Transaction Reports Act"), The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (the "AML/CTF Act"), the Autonomous Sanctions Act 2011 (Cth) (the "Autonomous Sanctions Act"), the Charter of the United Nations Act 1945 (the "United Nations Act"), and other Australian regulations, including the regulations made under the United Nations Act and under the Autonomous Sanctions Act, control the import and export of capital and remittance of payments involving non-residents of Australia. Unless, as required, the Department of Foreign Affairs and Trade ("DFAT") has given its specific prior approval under the regulations made under the Autonomous Sanctions Act, or the Minister for Foreign Affairs has granted a permit authorizing a transaction that would otherwise contravene a regulation made under the United Nations Act (collectively, the "Applicable Regulations"), certain payments and transactions involving or connected in certain ways with any of the following are, subject to limited exceptions, restricted or prohibited:

- prescribed governments (and their statutory authorities, agencies and entities);
- nationals of prescribed countries; and
- prescribed persons and entities.

Prescribed persons and entities currently include:

- certain persons and entities responsible for, or complicit in, the threat to the sovereignty and territorial integrity of Ukraine;
- certain individuals associated with the former Federal Republic of Yugoslavia (in limited circumstances) and known supporters associated with the former Milosevic regime;
- certain individuals and entities who engage in, or have engaged in, activities that seriously undermine democracy, respect for human rights and the rule of law in Zimbabwe;
- certain persons and entities associated with the Democratic People's Republic of Korea (North Korea);
- certain persons and entities associated with the Democratic Republic of the Congo, Eritrea, Somalia, Sudan, Lebanon, the Central African Republic, ISIL (Da'esh), Al-Qaida, Yemen, the Taliban, Myanmar or the Government of Iraq;
- certain individuals associated with the military of Myanmar and certain other state-owned or military owned enterprises in Myanmar;
- certain persons associated with the former Qadafi regime in Libya;
- certain persons and entities associated with the Syrian regime or responsible for human rights abuses in Syria;
- certain persons and entities associated with Iran; and
- any person or entity designated from time to time by the United Nations (the "UN") in accordance with the regulations made under the United Nations Act.

However, these are subject to change from time to time.

The Applicable Regulations may require DFAT authorization or impose reporting obligations on parties intending to buy, borrow, sell, lend or exchange, or otherwise deal with "foreign securities" if they are Australian residents (or a person acting on behalf of an Australian resident).

The Financial Transaction Reports Act and the AML/CTF Act impose reporting obligations on "cash dealers" that are a party to significant transfers of physical currency from one person to another to the Australian

Transaction Report and Analysis Centre, known as "AUSTRAC." Under the Financial Transaction Reports Act and the AML/CTF Act, a person who transfers A$10,000 or more (or the foreign currency equivalent) in physical currency into or out of Australia, must, subject to certain exemptions, report details of such transfers to AUSTRAC.

Legislation and regulations in Australia also restrict payments, transactions and dealings with assets having a proscribed connection with certain countries or named individuals or entities that are subject to international sanctions or associated with terrorism. The UN Security Council imposed a series of obligations on the UN Member States to prevent and suppress terrorism. Paragraph 1(c) of the UN Security Council Resolution 1373 (2001) (the "UNSC Resolution 1373") requires all UN Member States (which includes Australia) to freeze without delay funds and other financial assets or economic resources of (i) persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; (ii) of entities owned or controlled directly or indirectly by such persons; and (iii) of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds derived or generated from property owned or controlled directly or indirectly by such persons and associated persons and entities. Australia implements the obligations under paragraph 1(c) of the UNSC Resolution 1373 in the United Nations Act and the Charter of the United Nations (Dealing with Assets) Regulations 2008. Accordingly, the moment a person or entity is placed on the UN list of persons or entities that meet the criteria set out in paragraph 1(c) of the UNSC Resolution 1373, the financial assets or economic resources of such person or entity in Australia must be frozen without delay. These names on the UN list are automatically incorporated onto a consolidated list maintained by DFAT.

CERTAIN DEFINITIONS

In this offering memorandum, unless the context otherwise requires, all references to the "Issuers" refer only to Scentre Management Limited, in its capacity as responsible entity and trustee of Scentre Group Trust 1, and RE1 Limited, in its capacity as responsible entity and trustee of Scentre Group Trust 2; all references to "Scentre Group," the "Group," "we," "us" and "our" and similar expressions refer to the stapled group, which consists of Scentre Group Limited, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 and their respective subsidiaries; all references to "SGL" refer only to Scentre Group Limited or Scentre Group Limited and its subsidiaries, as the context requires; all references to "SGT1" refer only to Scentre Group Trust 1 or Scentre Group Trust 1 and its subsidiaries, as the context requires; all references to "SGT2" refer only to Scentre Group Trust 2 or Scentre Group Trust 2 and its subsidiaries, as the context requires; all references to "SGT3" refer only to Scentre Group Trust 3 or Scentre Group Trust 3 and its subsidiaries, as the context requires; all references to "SML" refer only to Scentre Management Limited in its capacity as responsible entity and trustee of SGT1; all references to "RE1" refer only to RE1 Limited in its capacity as responsible entity and trustee of SGT2; all references to "RE2" refer only to RE2 Limited in its capacity as responsible entity and trustee of SGT3; and SML, RE1 and RE2 are also referred to as the "Responsible Entities."

In "Description of the Notes and Guarantees," references to "SGL," "SGT1," "SGT2" and "SGT3" refer only to Scentre Group Limited, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3, respectively, and not to any of their respective subsidiaries.

Certain operating statistics and financial information related to our shopping center portfolio presented in this offering memorandum, such as retail sales, leased rate, rental rates, occupancy costs, lease deals completed, number of retail outlets, gross lettable area ("GLA"), gross asset value under management, unexpired lease terms and expiry profiles include part-owned centers on a 100% basis.

FINANCIAL INFORMATION PRESENTATION

This offering memorandum includes the financial statements of Scentre Group as of December 31, 2019, 2018 and 2017 and for the years ended on those dates.

The Scentre Group financial statements included in this offering memorandum have been prepared in accordance with Australian Accounting Standards ("AAS") and other authoritative pronouncements of the Australian Accounting Standards Board. The Scentre Group financial statements also comply with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. The Scentre Group financial statements have been audited by Ernst & Young, independent auditors, in accordance with Australian Auditing Standards and the Ernst & Young audit report thereon is included in this offering memorandum.

Investors should note that AAS and IFRS differ from generally accepted accounting principles in the United States ("US GAAP"). Investors should consult their own professional advisors for an understanding of the differences between AAS, IFRS and U.S. GAAP and how those differences might affect such financial statements, and more generally, the financial results of Scentre Group going forward.

Scentre Group's financial statements as of and for the year ended December 31, 2019 were prepared based upon conditions existing for such period. As the outbreak of COVID-19 occurred after December 31, 2019, its impact is considered an event that is indicative of conditions that arose after the reporting period and accordingly, no adjustments have been made to the financial statements included in this offering memorandum for the financial year ended December 31, 2019.

NON-AAS FINANCIAL MEASURES

Scentre Group utilizes a number of non-AAS measures to assess the financial and operational performance of its shopping center portfolio, including FFO, Net Property Income and Operating Earnings. For more information on these and other non-AAS measures, see "Operating and Financial Review—Description of Scentre Group—Key Operational Measures."

We believe that these non-AAS measures provide useful information regarding our business, and management considers these measures in analyzing our operating performance. However, these measures should not be considered indications of, or alternatives to, corresponding measures determined in accordance with AAS. In addition, such measures may not be comparable to similar measures presented by other companies.

We also present Net Property Income on a "proportionate" basis. The proportionate basis presents the net income from, and net investment in, equity accounted properties on a gross basis, whereby the underlying components of net income and net investment are disclosed separately as if they were revenues and expenses, and assets and liabilities of Scentre Group. Our management considers that, given that the assets underlying both the consolidated and the equity accounted components of the statutory income statement are similar (that is, retail shopping malls), all centers are under common management and, therefore, the drivers of their results are similar, proportionate Net Property Income provides a more useful way to understand the performance of the portfolio as a whole. This is because the proportionate format aggregates both revenue and expense items across the whole portfolio, rather than netting the income and expense items for equity accounted centers and only reflecting their performance as a single item of profit or loss as AAS requires, which allows management to observe and analyze revenue and expense results and trends on a portfolio-wide basis.

Investors should also note that we disclose our leverage ratio on two bases. The primary leverage ratio we use for internal and external reporting purposes is calculated as net debt (total borrowings adjusted for cash and net currency derivatives) to net assets (total assets adjusted for cash and currency derivative receivables), in each case on a "look-through basis," meaning that we include our proportional share of the net debt and net assets of equity accounted entities. In addition, certain of our financing agreements, including the indenture that will govern the Notes, contain a leverage ratio covenant of Net Debt to Net Assets, as those terms are defined in such agreements. See "Description of the Notes and Guarantees—Restrictive Covenants."

CURRENCY OF PRESENTATION AND EXCHANGE RATES

The consolidated financial statements of Scentre Group, including the financial information included in this offering memorandum, are presented in Australian dollars. In this offering memorandum, references to "A$" are to Australian dollars; references to "US$" or "U.S. dollars" are to United States dollars; references to "NZ$" are to New Zealand dollars; references to "€" are to Euros; and references to "UK£" are to United Kingdom pounds sterling.

This offering memorandum contains translations of certain A$ amounts into US$ amounts. Unless otherwise stated, we have translated A$ amounts into US$ amounts at Scentre Group's fiscal year end rate as of December 31, 2019 of A$1.00 = US$0.7016. This offering memorandum also includes references to UK£, NZ$ and €, which have been translated into A$. Unless otherwise stated, we have translated UK£, NZ$ and € into A$ at Scentre Group's fiscal year end rate as of December 31, 2019 of A$1.00 = UK£0.5290, A$1.00 = NZ$1.0423 and A$1.00 = €0.6257. In providing these translations, we are not representing that the A$ amounts are actually those US$, UK£, NZ$ or € amounts, as applicable, or that we could have converted those A$ into US$, UK£, NZ$ or €, as applicable, at the exchange rate indicated. The A$ equity market capitalization of Scentre Group as of April 30, 2020 has been translated into US$ at the exchange rate of A$1.00 = US$0.6523, which was the noon buying rate as of April 30, 2020 in New York City for cable transfers in Australian dollars as certified for customs purposes by the Federal Reserve Bank of New York.

The A$ is convertible into US$ at freely floating exchange rates and there are currently no restrictions on the flow of A$ between Australia and the United States except as described in "Australian Exchange Controls" above.

Information Presented

This offering memorandum relates to an offering that is exempt from the registration requirements under the Securities Act, and it does not comply in certain respects with SEC rules that would apply to a registration statement relating to a public offering of securities. In a registration statement, unless the SEC otherwise agreed, Scentre Group would be required to include, among other things, (1) audited financial statements and related notes thereto for each of SGL, SGT1, SGT2 and SGT3, (2) a discussion and analysis by the management of each of SGL, SGT1, SGT2 and SGT3's results of operations and financial condition, and (3) such other financial information as required by the Securities Act, including Regulation S-X, Form S-11 and Form 20-F thereunder. In addition, we have not included in this offering memorandum our ratio of earnings to fixed charges for the historical periods presented herein. Potential investors must decide whether to purchase the Notes without the benefit of such information.

SUMMARY

This summary highlights selected information from this offering memorandum and does not contain all of the information that may be important to you. You should read this entire offering memorandum carefully, including the risk factors and the audited Scentre Group financial statements included in this offering memorandum.

Scentre Group

Overview

We are an industry leading, internally managed retail property group focused on investing and operating retail shopping centers in Australia and New Zealand. We own a vertically integrated Australian and New Zealand retail property operating platform and retail property portfolio, with capabilities including property management, leasing, design, development, construction, marketing and funds management. We describe the shopping centers in our portfolio as our "Westfield Living Centres" because they are extraordinary places where our customers come to gather and socialize, be entertained, dine, access services and experiences and shop. Our Westfield Living Centres are destinations of choice for shopping, dining, entertainment, events and socializing in major cities across Australia and New Zealand.

We were formed in 2014 to own the Australian and New Zealand assets of the former Westfield Group and Westfield Retail Trust. We have an exclusive, continuing and royalty free license to use the Westfield brand in Australia and New Zealand for our existing shopping center portfolio and any new shopping centers in Australia and New Zealand which meet certain agreed characteristics.

We are the largest listed retail property group in Australia and New Zealand, with an equity market capitalization of A$12.1 billion (US$7.9 billion) as of April 30, 2020. We own a property portfolio comprising interests in 42 Westfield Living Centres in Australia and New Zealand as of December 31, 2019. The book value of our proportional interest in our Westfield Living Centres was A$38.2 billion and assets under management was A$56.0 billion as of December 31, 2019. The book value of our proportional interest includes construction in progress and assets held for redevelopment.

Purpose, Plan and Strategy

Our purpose is to create extraordinary places connecting and enriching communities by owning, managing and developing the best retail assets in Australia and New Zealand. Our plan is to create the places more people choose to come, more often and for longer.

In striving to achieve our purpose and plan, we are guided by our values:

- *We put the customer first.*
- *We act with integrity.*
- *We strive for excellence.*
- *We succeed together.*
- *We are constantly curious.*
- *We create a positive legacy.*

Our plan focuses on four key stakeholders, with respect to each of which we have a long-term strategic objective:

- ***Customers***—We aim to be customer obsessed, delivering extraordinary experiences, every day. Our strategy is based on the fundamental principle that we compete for the time and attention of our customers. We believe that customers continue to want a seamless shopping experience. We see this as an opportunity and believe that physical retail is and will remain a central part of the retail ecosystem, key to retailer sales and distribution strategy. This is based on the fact that well-located, high-quality physical retail, like our portfolio, is a cost-efficient means for a brand to engage with the customer. Our portfolio network is also difficult to replicate.
- ***Retail and brand partners***—We aim to be a true business partner for our retailers and brands to maximize their opportunity to interact with customers on site. We are the leading platform in Australia and New Zealand for retailers and brands to interact with customers. Our Westfield Living Centres are essential social infrastructure, with more than 65% of the population living within a 30 minute drive of one of our centers. During 2019, annual customer visits increased by more than 12 million to over 548 million. By listening and acting on what our customers want, we have curated the mix within each center of our portfolio. As of December 31, 2019, we had 3,600 brands and more than 12,000 outlets across our portfolio. In 2019, we welcomed 344 new brands to the portfolio, while 279 existing brands grew their store network with us. In recent years, this growth has been seen through the shift towards experiential retail and consume-on-site, which continues. As of December 31, 2019, 43% of the stores in our portfolio were experience and services based.
- ***People***—We aim to be a place where talent will thrive. We also aspire to create a workforce that reflects communities in which we operate. We believe that a diverse and engaged workforce contributes to strong business performance and we seek to provide an inclusive and supportive working environment that recognizes and celebrates all the ways we are different.
- ***Investors***—We aim to deliver long-term sustainable returns through economic cycles. Our approach to financial management is to maintain a long-term focus, to improve our earnings, assets and return on equity through economic cycles within a framework of low tolerance for risk. We also continue to maintain a strong focus on capital management, including proactively managing our debt portfolio.

Competitive Advantages

We believe we have the following competitive advantages:

High Quality Portfolio. Our Westfield Living Centres are generally located in prime trade areas in major cities, are anchored by long-term tenancies with major retailers and incorporate a wide cross-section of high-quality specialty retailers and national and international chain store operators. Our Westfield Living Centres are spread across five states and one territory in Australia as well as in New Zealand. The size of our property portfolio and revenue base significantly reduces our dependence upon any single tenant or property. As of December 31, 2019, our 10 highest valued Westfield Living Centres represented 56% of our portfolio. For the year ended December 31, 2019, no single anchor retailer contributed more than 3% and no specialty store retailer contributed more than 2% of our rental income, and 99% of our rental income was derived from contracted base rent increases.

Redevelopment Capability and Redevelopment Program. We have an ongoing development and redevelopment program for our Westfield Living Centre portfolio with the objective of achieving strong market penetration and ensuring our Westfield Living Centres remain relevant to both retailers and consumers. The capital invested in redeveloping our Westfield Living Centres have contributed to the high quality of our assets, which have evolved to meet changing consumer preferences and have enhanced their ability to weather economic downturns.

Our redevelopment capabilities are vertically integrated and involve the development, design, construction and leasing of shopping centers, which allows us to control design and construction costs and amend or alter redevelopment plans during the course of construction, if necessary. Redevelopments are designed to maximize returns on investment from both increased rental income and capital appreciation of the asset. We have extensive experience and a solid track record of completing projects on time and within budget. We believe that we can continue to successfully develop and redevelop our Westfield Living Centre portfolio, and that our development and redevelopment program enhances our internal growth potential and ensures that our Westfield Living Centres remain competitive in their existing markets.

Financial Strength. We believe our financial strength provides us with an advantage over many of our competitors. The foundation of our financial strength is our portfolio of high quality properties, which provides us with a diverse revenue base and strong cash flows. Our financial strength gives us the ability to take advantage of development, redevelopment and other investment opportunities when they arise and has afforded us consistent access to debt and equity markets to fund these activities.

We are rated "A" (outlook negative) by Standard & Poor's (Australia) Pty Limited ("S&P"), "A2" (outlook negative) by Moody's Investors Service Pty Limited ("Moody's") and "A" (outlook negative) by Fitch Australia Pty Ltd ("Fitch"). As of December 31, 2019, on a consolidated basis, we had A$15.4 billion of committed financing facilities and total available liquidity of A$1.8 billion made up of undrawn, predominantly long term, unsecured committed bank loan facilities of A$1.6 billion and cash and cash equivalents of A$253.0 million. We have since obtained A$1.9 billion in additional unsecured bank facilities that increased our available liquidity position to A$3.1 billion as of April 1, 2020. See "—Recent Developments—Liquidity Management."

Experienced Management Team. Our management team has extensive experience in the retail real estate industry, including experience in the acquisition, disposition, leasing, management, financing, redevelopment and development of real estate assets and managing relationships with joint venture partners. The operating platform includes a highly experienced Australian and New Zealand operational management team of senior corporate executives.

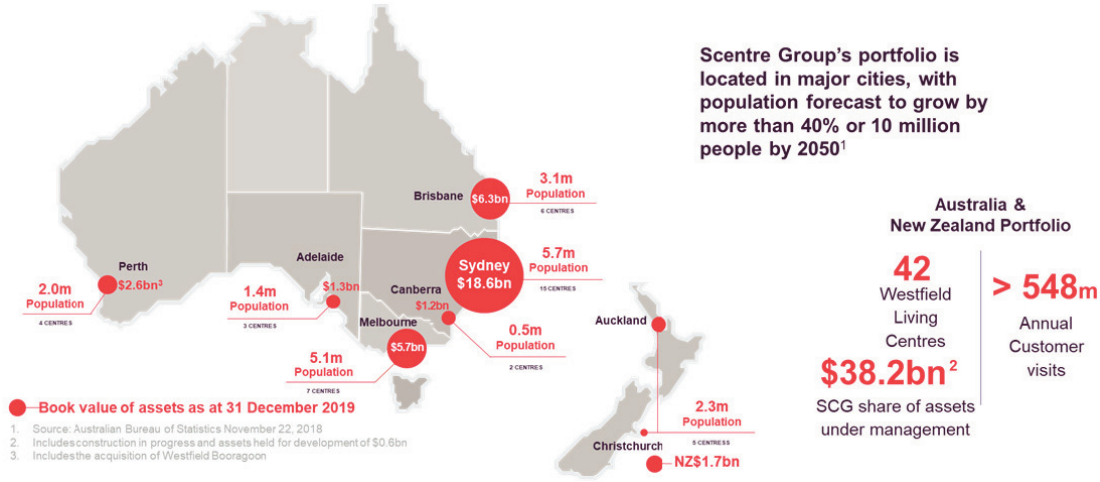
Property Portfolio

Our Westfield Living Centres are geographically diversified across major cities in Australia and New Zealand, located in prime trade areas, anchored by long term tenancies with major retailers with a diversified mix of specialty, national and international retailers.

As of December 31, 2019, the majority of our portfolio was located in Australia, with 37 Westfield Living Centres representing 96% of the portfolio by book value of our proportional interest in our shopping centers. As of December 31, 2019, our portfolio in New Zealand comprised five Westfield Living Centres representing 4% of the portfolio by book value of our proportional interest.

Our portfolio includes seven of the top ten shopping centers in Australia and four of the top five shopping centers in New Zealand. More than 33% of our portfolio generated annual retail sales greater than A$1 billion, and more than 80% generated annual retail sales of greater than A$500 million, for the year ended December 31, 2019. Our portfolio includes pre-eminent shopping centers such as Westfield Sydney, Westfield Bondi Junction, Westfield Miranda and Westfield Parramatta in Sydney, Westfield Chermside in Brisbane, Westfield Doncaster in Melbourne and Westfield Marion in Adelaide. Each of these assets achieved annual specialty store sales productivity in excess of A$11,600 per square meter and total annual sales in excess of A$840 million for the year ended December 31, 2019. These flagship centers continue to be leading destinations of choice for both domestic and international retailers.

The following map shows the location of our portfolio and book value of our proportional interest (all assets are managed by us):



The following table summarizes our portfolio as of December 31, 2019:

	Total
Portfolio summary as of December 31, 2019	
Westfield Living Centres Scentre Group owns interests in	42
Westfield Living Centres Scentre Group holds through joint ventures and co-ownership arrangements	30
Retail outlets	12,308
GLA (million sqm)	3.9
Scentre Group interests (billion)(1)	A$ 38.2
JV partner interests (billion)(1)	A$ 17.8
Assets under management (billion)(1)	A$ 56.0
Scentre Group's share of assets under management (%)	68%
Percentage leased (%)	99.3%

(1) Includes construction in progress and assets held for redevelopment.

The following table sets forth key operating statistics for our shopping center portfolio (including part-owned shopping centers on a 100% basis, unless otherwise noted):

Key Operating Statistics

	As of and for the year ended December 31,		
	2019	2018	2017
Portfolio leased rate (%)	99.3	99.3	>99.5
Leases			
Weighted average unexpired lease term (years)	6.0	5.9	6.0
Number of lease deals completed	2,566	2,686	2,466
—Aggregate GLA leased (square meters)	420,239	444,320	345,570
—Aggregate GLA leased (square feet)	4,523,411	4,782,616	3,719,681
Largest Retailer			
% of total GLA occupied (%)	10.9	11.2	11.4
% of total rental income (%)	2.7	2.7	2.7
Ten Largest Specialty Retailer Groups (by GLA)			
% of total GLA occupied (%)	8.2	8.1	7.9
% of total rental income (%)	9.8	9.9	10.2
Rental Income(1)			
% directly related to retailer sales (%)	1.0	1.0	1.0
% derived from minimum rent at contracted levels (%)	99.0	99.0	99.0

(1) Our share.

Operations

In addition to shopping center ownership, our vertically integrated operations encompass property management and leasing, property development, design and construction, and funds and asset management.

Property Management, Marketing and Leasing

Property management involves day-to-day management, leasing and marketing of our Westfield Living Centres as well as the next generation of new income opportunities.

We aim to maximize income and capital growth by creating an efficient and highly productive (by annual retail specialty sales per square meter) environment for retailers and a superior experience for consumers. We work closely with retailers to provide a superior shopping experience and to develop strong relationships with consumers through various marketing initiatives, including supporting the local community surrounding each Westfield Living Centre.

Our portfolio of 42 Westfield Living Centres comprises approximately 12,308 outlets across 3.9 million square meters of gross lettable area, or "GLA," as of December 31, 2019. Our property management capabilities are strengthened by the scale, quality and geographic diversification of our portfolio across major cities in Australia and New Zealand, which, in our view, provides a unique platform to engage with our retailers, consumers and marketing partners. We believe that our portfolio attracts a superior mix of national and international retailers.

Development, Design and Construction

Our development capabilities include all elements of development, design, construction and project leasing for shopping centers in Australia and New Zealand.

We focus on the redevelopment and expansion of our Westfield Living Centres to ensure they remain highly productive (by annual retail specialty sales per square meter), attract leading retailers and provide a high quality experience for consumers. Our most recent redevelopments showcase an innovative approach to design with an emphasis on integrating food, fashion, leisure and entertainment with the latest digital and other emerging technology, including the portfolio wide deployment of our Digital SmartScreen network, Westfield Plus mobile phone app and ticketless parking.

Our projects under construction as of December 31, 2019 included the A$50 million (Scentre Group share: A$16 million) project at Westfield Carindale in Brisbane, Australia. We expect to complete this project in 2020. During 2019, we also commenced special projects, including the A$30 million (Scentre Group share: A$15 million) expansion and refurbishment of the level 2 dining precinct at Westfield Doncaster and the A$38 million (Scentre Group share: A$38 million) new format Myer and new specialty stores at Westfield Belconnen. At December 31, 2019, we had also started construction of a A$55 million (Scentre Group share: A$27.5 million) rooftop entertainment, leisure and dining precinct at Westfield Mt Druitt in Sydney, Australia. We have since deferred this project as a result of the impact of COVID-19.

In 2019, we completed the NZ$790 million (Scentre Group share: NZ$400 million) redevelopment at Westfield Newmarket in Auckland, New Zealand, and the A$21 million (Scentre Group share: A$10.5 million) Bradley Street dining precinct at Westfield Woden in Canberra, Australia.

In 2018, we completed a greenfield development at Westfield Coomera in the Gold Coast, Australia (A$470 million) and redevelopments at Westfield Carousel in Perth, Australia (A$350 million), Westfield Plenty Valley in Melbourne, Australia (A$80 million), Westfield Kotara in Newcastle, Australia (A$160 million) and Westfield Tea Tree Plaza in Adelaide, Australia (A$50 million), adding more than 106,000 square meters of GLA.

In 2017, we completed the redevelopment at Westfield Chermside in Brisbane, Australia (A$355 million) and the redevelopment at Westfield Whitford City in Perth, Australia (A$80 million).

We intend to continue investing limited capital and resources in pre-development work on a number of our Westfield Living Centres with strategic development opportunities as we believe they are located in strong, underserved markets with prime opportunities for market share gains through redevelopment and expansion, including nearer term opportunities at Westfield Knox in Melbourne, Australia and Market Street in Sydney, Australia. We are currently undertaking pre-development activity on future development opportunities with an estimated value in excess of A$3.0 billion. In addition, we have potential opportunities for alternative use developments in excess of A$1.5 billion, which may include office, educational and residential projects.

Any decision on the commencement or ongoing capital expenditure on development activity of the above Westfield Living Centres will depend on the feasibility of those projects in the context of the economic environment at the relevant time. As a result of the COVID-19 pandemic, we are reviewing the timeline of our pending redevelopments. See "—Recent Developments—COVID-19."

Fund and Asset Management

We derive income from funds management activities, including through an annual manager's service fee from Carindale Property Trust and an annual arranger fee under the terms of property-linked notes over certain of our properties.

Carindale Property Trust is a single asset trust which owns a 50% interest in Westfield Carindale. On February 23, 2016, we announced our intention to increase our investment in Carindale Property Trust subject to prevailing market conditions and the "creep provisions" of the Australian Corporations Act. Between February 23, 2016 and December 31, 2019, we increased our stake from 50.00% to 62.58% of the units of Carindale Property Trust, representing a 31.29% indirect interest in Westfield Carindale.

We established the property-linked notes in 2006. These notes were designed to provide the holders with returns based on the economic performance of certain Australian super regional Westfield Living Centres: Westfield Parramatta and Westfield Hornsby in New South Wales and Westfield Southland in Victoria. The property-linked notes may be redeemed on their review dates (Westfield Parramatta, December 31, 2021, Westfield Southland, December 31, 2022 and Westfield Hornsby, December 31, 2023). On redemption, the obligation to repay the property-linked notes can, in certain circumstances, be satisfied by the transfer of interests in the underlying properties to the noteholders. Under the terms of the property-linked notes, we receive an annual arranger fee for arranging the issue of the property-linked notes. The fair value of the property-linked notes outstanding was A$689.0 million as of December 31, 2019. See "Operating and Financial Review—Liquidity and Capital Resources—Gearing Policy and Debt Facilities."

Our total assets under management are valued at A$56.0 billion as of December 31, 2019. This figure includes A$17.8 billion of external assets under management, as well as construction in progress and assets held for redevelopment.

History and Structure of Scentre Group

Scentre Group was formed in June 2014 as a result of a restructuring transaction between the former Westfield Group and Westfield Retail Trust.

Prior to December 2010, the properties now owned and operated by us were owned and operated by Westfield Group as its vertically integrated Australian and New Zealand business. In December 2010, Westfield Group created Westfield Retail Trust as a separately-listed vehicle to hold 50% of its interest in 54 of its Australian and New Zealand shopping centers, while Westfield Group retained its Australian and New Zealand property management, property development and asset and funds management platform and the other 50% of the property interests.

The restructure brought back together the Australian and New Zealand business of Westfield Group and the business of Westfield Retail Trust as the new ASX-listed property group Scentre Group.

Scentre Group is a stapled group consisting of SGL, SGT1, SGT2 and SGT3 and their respective subsidiaries. Scentre Group stapled securities, which comprise an ordinary share of SGL, a unit of SGT1, a unit of SGT2 and a unit of SGT3, are quoted and trade together as a single security on the ASX under the ticker "SCG" and cannot be traded separately. SML is the responsible entity and trustee of SGT1. RE1 is the responsible entity and trustee of SGT2. RE2 is the responsible entity and trustee of SGT3. Each of SGL, SGT1, SGT2 and SGT3 is run by a common board and executive team.

Recent developments

COVID-19

Our business has been and will continue to be adversely affected by the novel coronavirus (COVID-19) pandemic. The outbreak of COVID-19 commenced in early 2020 and was declared a pandemic by the World Health Organization on March 11, 2020.

Both Australia and New Zealand experienced an outbreak of the virus, and the governments of both countries implemented a number of measures, including significant restrictions on movement and activity, to slow or stop its spread. In each country, the measures appear to have been successful in limiting community transmission of the virus and some of the restrictions have recently been partially relaxed. However, the restrictions have had a significant adverse impact on economic activity in both countries and on the performance of our business, and we expect that the effects will continue for some time.

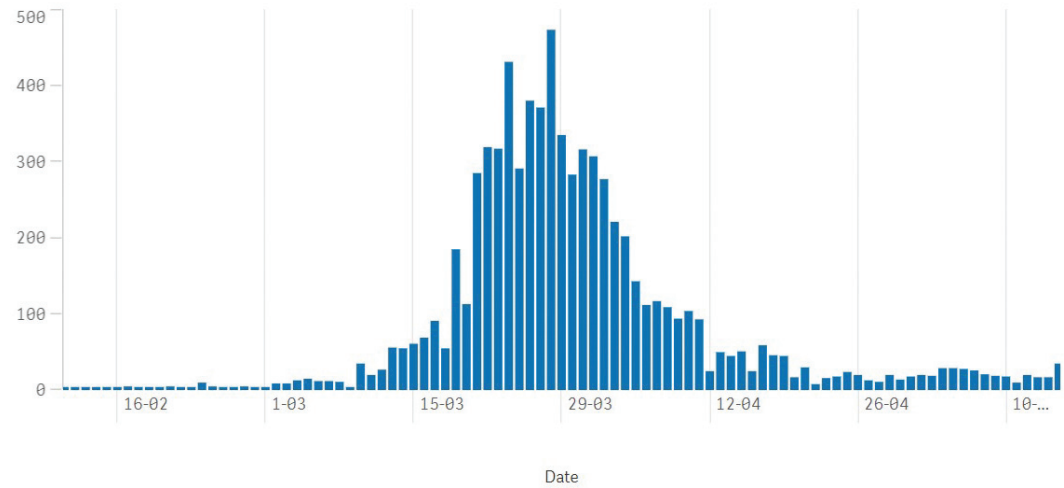
In March 2020, Governments in both nations introduced strict border controls and restrictions on both international and domestic travel and ordered residents to stay at home with a limited range of exceptions. Australian governments ordered a range of premises to close including restaurants, food courts and cafes (other than for takeaway or home delivery), cinemas, bars and gyms, but otherwise permitted retailers to remain open. The New Zealand government ordered all non-essential businesses to close. As a result, the only retail premises that were permitted to remain open in New Zealand were supermarkets, convenience stores and pharmacies.

All of our Westfield Living Centres in Australia have remained open. Our Westfield Living Centres contain supermarkets, grocery stores, food markets and other retail stores such as pharmacies that provide essential goods. However, they also contain facilities such as cinemas, beauty therapy providers and gyms that were ordered to suspend trading. Restaurants and food courts have only been permitted to provide takeaway or food on delivery. In addition, although they were permitted to trade, a number of our tenants stated that they would not operate their physical outlets until the restrictions on movement had been lifted. At our Annual General Meeting on April 8, 2020, we stated that approximately 39% of stores in our Australian Westfield Living Centres were open.

In New Zealand, only the supermarkets and pharmacies in our Westfield Living Centres remained open.

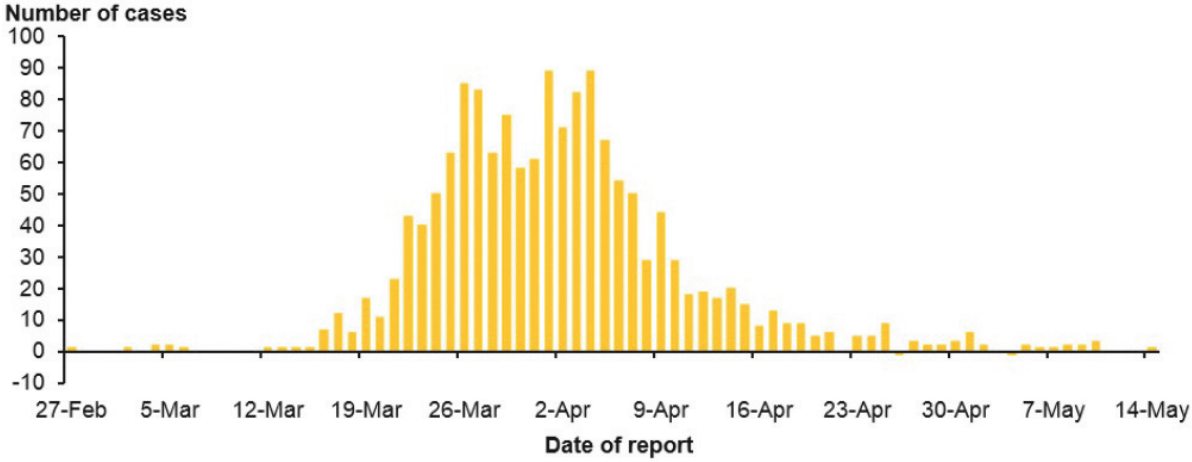
Since these measures were implemented, the number of new COVID-19 infections in Australia and New Zealand has peaked and then fallen. The following charts show the number of new cases per day in Australia and New Zealand up to May 15, 2020.

Australia—confirmed cases



Source: Australian Government Department of Health

New Zealand—confirmed and probable cases



Source: New Zealand Government Ministry of Health

Of course, there can be no assurance that case numbers will not increase again as restrictions are lifted.

On May 8, 2020, the Prime Minister of Australia announced a plan to relax most of the COVID-19 related restrictions in three stages. The relaxing of restrictions will be reviewed by the government every three weeks to assess the impact of each stage. The actual timing and detailed implementation of these stages will be determined by the individual state and territory governments, in line with their current public health situation and local conditions. The first stage involves a relaxation of the restrictions on local and regional travel and permit restaurants and cafes to reopen provided they comply with limits on the number and density of people in enclosed spaces. All states and territories have now implemented the first stage of relaxed restrictions. The government stated that its aspiration is to have a "sustainable COVID safe Australia in July 2020."

On May 11, 2020 the New Zealand government announced that New Zealand would move from "level 3" restrictions to "level 2" restrictions with effect from May 14. Under the level 2 restrictions, New Zealanders may move freely and businesses, including retail stores, are permitted to reopen provided they can do so safely, which may require certain premises to limit the number of people in enclosed spaces. Controls will remain in place requiring physical distancing and limits on gathering and people who contract the virus and those who have had contact with someone with the virus will be required to isolate. Our Westfield Living Centres in New Zealand have now fully reopened.

Despite the potential easing of restrictions, the loss of sales revenue during this volatile period has placed a number of our tenants under financial strain. A number of retailers have approached us seeking accommodation for the period during which they have received reduced or no sales revenue.

On April 3, 2020, the leaders of the Australian states and territories agreed that their governments will legislate to adopt a uniform code of conduct that is intended to provide a framework for negotiating temporary lease arrangements to share in a proportionate manner the financial risk and cashflow impact during the COVID-19 period. The code applies to retail tenants that have revenue of less than A$50 million and are eligible for the Australian government's wage subsidy program (which requires a 30% or more decrease in revenue). The code sets out a series of leasing principles that should be applied on a case-by-case basis in lease negotiations, including that:

- landlords will not terminate leases for non-payment of rent and will not draw on tenants' security for non-payment of rent, while tenants will comply with the terms of their lease, subject to the negotiated changes;

- landlords must offer tenants proportionate reductions in rent payable in the form of waivers and deferrals based on the reduction in the tenant's trade;
- rental waivers must constitute no less than 50% of the total reduction in rent payable and any rent deferral must be amortized over the balance of the lease term or for a period of no less than 24 months; and
- rent increases will be frozen and tenants will be given an opportunity to extend their lease for an equivalent period.

We have immediately adopted the code principles and are implementing the same principles in New Zealand. Across our portfolio, we have approximately 2,600 retailers that are subject to the code, representing approximately 30% of our rental income. We are also in discussions with our retail partners that are not subject to the code on a case-by-case basis to determine appropriate ways we can assist with their potential cash-flow issues. These arrangements with our retail partners, including both tenants that are subject to the code and other retail partners, will result in reduced cash rent collections during this period as part of our tenants' rent obligations may be deferred or abated. This will adversely affect our cash flow and may impact Funds from Operations ("FFO") during this period, however, the effects on our results of operations and financial condition cannot be reliably estimated at this time.

Even if restrictions continue to be relaxed in accordance with current indications and there are no further outbreaks of COVID-19, the effects on the Australian and New Zealand economies and our business have been significant and we are not yet in a position to quantify their magnitude or duration. Nor can we provide any assurance of how quickly the economy and the performance of our business will return to pre-COVID-19 levels. For more information, see "Risk Factors—The global outbreak of the novel coronavirus (COVID-19) has, and will continue to adversely affect our tenants' financial condition and the profitability and value of our properties."

Operational update

On May 11, 2020, we released our first quarter operating data. For the quarter ended March 31, 2020, comparable speciality in-store sales were down 7.1% compared to the same period in 2019, while comparable anchor in-store sales were up 0.7%. These results reflect strong results in January and February and trade (other than for supermarkets) dropped off sharply during March as a result of the COVID-19 pandemic. Total in-store sales were down 17.6% in March 2020 compared to the previous corresponding period.

The following table sets out the changes in our comparable in-store sales by category for the two-month period ended February 29, 2020, for the month of March and for the three-month and twelve-month periods ended March 31, 2020. Note that the "like-for-like" data for March 2020 only includes stores that traded throughout March 2020.

Comparable in-store sales growth by category[1]

	2 months to Feb 29, 2020	Lik-for-like Mar 2020[3]	3 months to Mar 31, 2020	12 months to Mar 31, 2020
Retail Services	8.6%	(15.9%)	1.2%	6.3%
Leisure	2.1%	(20.0%)	(4.7%)	1.9%
Food Retail	1.2%	4.4%	1.8%	1.4%
Dining	3.7%	(38.6%)	(10.1%)	(0.1%)
Health & Beauty	2.1%	(27.5%)	(7.7%)	0.1%
Fashion	(0.1%)	(38.9%)	(12.9%)	(0.7%)
Footwear	(1.7%)	(41.2%)	(13.5%)	(2.9%)
Jewellery	(2.4%)	(32.5%)	(12.9%)	(6.2%)
Technology & Appliances	7.8%	(7.2%)	2.6%	3.9%
General Retail[2]	(3.0%)	(13.0%)	(8.5%)	(4.0%)
Homewares	(1.7%)	(24.1%)	(10.4%)	(4.2%)
Total Comparable Specialties	**2.3%**	**(25.9%)**	**(7.1%)**	**0.2%**
Supermarkets	3.7%	20.6%	9.0%	5.1%
Department Stores	(2.0%)	(38.9%)	(14.4%)	(7.1%)
Discount Department Stores	(1.0%)	(3.5%)	(1.8%)	2.6%
Cinemas	6.2%	(46.1%)	(9.8%)	1.0%
Total Comparable Majors	**0.9%**	**(2.3%)**	**0.7%**	**0.8%**

1. *Total stable portfolio – total dollar sales growth (stable centers)*
2. *General Retail category includes Discount Variety, Giftware and Florists*
3. *Represents comparable sales growth for retailers that traded in March 2020*

In Australia, at May 11, 2020, approximately 57% of stores were open and trading, representing approximately 70% of gross lettable area. With the relaxation of restrictions, we expect most of the remaining stores in Australia and most stores in our New Zealand centers to reopen over the coming weeks.

Development activity

We have reassessed all active and pending redevelopments in light of the current environment. Work continues on our redevelopment projects at Westfield Carindale, Westfield Doncaster and Westfield Belconnen, however, we have deferred construction of the rooftop entertainment, leisure and dining precinct at Westfield Mt Druitt. We are reviewing the timeline of our pending redevelopments. We have reduced our Design and Construction workforce by more than 60%, while retaining key capabilities. See "Operating and Financial Review—Description of Scentre Group—Our Business—Development, Design and Construction."

Expenses

We have implemented a range of initiatives targeting a reduction in center operating expenses of more than 25% during the pandemic period. Commencing May 1, the Board agreed to a 20% reduction in base Board fees, and our senior leadership team agreed to a 20% reduction in fixed remuneration. We have also implemented wide-ranging changes across the Group, with more than 80% of our employees' roles adjusted, including reduced remuneration and/or reduced hours. The Board will review these arrangements in August 2020.

Liquidity management

We have obtained A$1.9 billion in additional unsecured bank facilities that increased our available liquidity position to A$3.1 billion as of April 1, 2020. The additional facilities have a two-year duration and we believe that this will provide us with further funding flexibility over the coming period. We have extended the maturity date of A$600 million of existing bank loan facilities that mature in 2021. We now have no bank debt maturing until 2022, with A$1.9 billion of bonds maturing prior to December 2021.

Earnings and distributions

On March 20, 2020, we withdrew the distribution guidance that we issued when we announced our results for the 2019 fiscal year on February 18, 2020. On May 11, 2020, we announced that we had determined not to pay an interim distribution for the half-year period ending June 30, 2020.

Ratings

On March 31, 2020, Moody's affirmed our A2 long term rating but revised our rating outlook from stable to negative, reflecting their view that there is a high likelihood that further deterioration in the retail environment, caused by the COVID-19 pandemic, will pressure our revenue, income and leverage metrics. On April 6, 2020, S&P affirmed our A long term rating but revised our rating outlook from stable to negative, reflecting their view that our earnings will come under pressure over the next 12 months due to business disruption stemming from the COVID-19 pandemic. On May 12, 2020, Fitch affirmed our A long term rating but revised our rating outlook from stable to negative, reflecting their view that we are exposed to risks of structural changes in the Australian retailing sector following severe economic disruption caused by the spread of COVID-19. See "Risk Factors—Our credit rating could be downgraded."

Board and management changes since December 31, 2019

On February 17, 2020, we announced that Ms. Aliza Knox informed us that she would not seek re-election as a non-executive director of Scentre Group at our annual general meeting which was held on April 8, 2020. Ms Knox retired from our board of directors at the conclusion of that meeting.

On April 8, 2020, we announced that Mr. Michael Wilkins, AO was appointed as a non-executive director of Scentre Group at our annual general meeting on that same date.

Capital management activity

In May 2019, as part of a new joint venture, we sold a 50% interest in Westfield Burwood in Sydney, Australia to the Perron Group for A$575 million.

In June 2019, we divested our Sydney Central Business District office towers to certain entities associated with The Blackstone Group Inc. (the "Blackstone entities") for A$1.52 billion. The divestment was effected by way of a 299-year leasehold interest granted to the Blackstone entities over the office components across three office blocks located at 100 Market Street, and 77 and 85 Castlereagh Street. The office blocks are on the same property title as our Westfield Sydney Living Centre. In order to enable the Blackstone entities to protect their leasehold in the event of our liquidation, we have granted the Blackstone entities security interests comprising a featherweight charge over certain trust assets (which secures a nominal sum) and a mortgage over the property title (which secures the amount of any loss the Blackstone entities would suffer if, in a liquidation of the Scentre Group lessors, the leases to the Blackstone entities were disclaimed by the liquidator). We refer to these security interests as the "Sydney Lien" in the indenture that will govern the Notes. Following the divestment, we continue to retain ownership of Westfield Sydney and Sydney Tower.

We initially used the A$2.1 billion of proceeds from the Westfield Burwood joint venture and the Sydney Central Business District office towers sale to temporarily repay existing indebtedness. We intend to deploy the capital realized from these transactions into our business, through providing additional financial capacity for future activities (such as the Westfield Booragoon joint venture discussed below) and to reduce outstanding debt, as well funding the repurchase, as of March 9, 2020, of 126,618,867 of our securities for A$479 million under our security buy-back program for up to A$800 million. On March 10, 2020, we announced the suspension of our security buy-back program due to increased levels of volatility being experienced throughout capital markets globally.

Westfield Booragoon joint venture

In December 2019, we acquired a 50% interest in Garden City Booragoon shopping center in Perth, Australia, together with long-term property management, brand and development rights, for A$570 million from AMP Capital Diversified Property Fund. As part of the joint venture, the shopping center has been rebranded as Westfield Booragoon.

Board and management changes during the year ended December 31, 2019

Mr. Steven M. Lowy, AM retired from his role as a non-executive director of Scentre Group at our annual general meeting on April 4, 2019.

Mr. Mark A. Bloom also retired from his role as Chief Financial Officer of Scentre Group on April 4, 2019 and was succeeded in that role by Mr. Elliott Rusanow. Mr. Rusanow had previously served as Chief Financial Officer of Westfield Corporation, based in the United States.

On October 14, 2019, we announced that Ms. Cynthia Whelan, our Chief Strategy and Business Development Officer, had decided to leave Scentre Group.

On October 16, 2019, we announced that Mr. Greg Miles, our Chief Operating Officer, informed us of his intention to retire in 2020 after almost 23 years with the Scentre Group and Westfield executive teams. In connection with Mr. Miles' retirement, we have flattened our management structure, with Mr. Miles' direct operational reports initially reporting into the office of our Chief Executive Officer.

Issuers

Scentre Management Limited, in its capacity as responsible entity and trustee of Scentre Group Trust 1, and RE1 Limited, in its capacity as responsible entity and trustee of Scentre Group Trust 2, are co-issuers of and jointly and severally liable under the Notes.

Borrowing and Credit Structure for the Notes

The Notes will be the joint and several obligations of the Issuers. The obligations of the Issuers under the Notes will be guaranteed on a joint and several basis by SGL and SGT3. They will also be guaranteed on a joint and several basis by Scentre Finance (Aust) Limited, a finance subsidiary of SGL, and RE (NZ) Finance Limited, a finance subsidiary of SGT3. Because the obligations of the Issuers are guaranteed by SGL and SGT3, and by the two finance subsidiaries, holders of the Notes will receive the benefit of the credit of these guarantors.

Corporate Information

Our registered office is Level 30, 85 Castlereagh Street, Sydney, New South Wales 2000, Australia. Our telephone number is +61 2 9358 7000. Our website is located at www.scentregroup.com. The information on our website is not part of, or incorporated by reference in, this offering memorandum.

The Offering

Notes Being Offered	US$ % Guaranteed Senior Notes due (the "Notes").
Co-Issuers	Scentre Management Limited (in its capacity as responsible entity and trustee of Scentre Group Trust 1) and RE1 Limited (in its capacity as responsible entity and trustee of Scentre Group Trust 2) (each an "Issuer" and together, the "Issuers"). The Notes will be the joint and several obligations of the Issuers.
Guarantors	Scentre Group Limited and RE2 Limited (in its capacity as responsible entity and trustee of Scentre Group Trust 3) (each, a "parent guarantor," and together, the "parent guarantors"), Scentre Finance (Aust) Limited and RE (NZ) Finance Limited (each, a "subsidiary guarantor," and together the "subsidiary guarantors," and, together with the parent guarantors, the "guarantors"). See "Description of the Notes and Guarantees—Guarantees."
Principal Amount	US$ aggregate principal amount.
Delivery of the Notes	It is expected that delivery of the Notes will be made on or about , 2020. All Notes sold in the offering will be delivered against payment in immediately available funds.
Maturity Date	, 20 .
Interest Rate	The Notes will bear interest at the rate of % per year from , 2020, based upon a 360-day year consisting of twelve 30-day months.
Interest Payment Dates	Interest on the Notes will be payable semi-annually in arrears on and of each year, commencing on , 2020.
Guarantees	Each of the parent guarantors will fully and unconditionally guarantee, on a joint and several basis, the obligations of the Issuers under the Notes, including the payment of the principal of, premium, if any, and interest on the Notes (the "parent guarantees"). In addition, each of the subsidiary guarantors will fully and unconditionally guarantee, on a joint and several basis, the obligations of the Issuers under the Notes (the "subsidiary guarantee" and, together with the parent guarantees, the "guarantees").
Ranking	The Notes will constitute unsecured and unsubordinated obligations of the Issuers and will rank equally in right of payment with all existing and future unsecured and unsubordinated indebtedness of the Issuers, except indebtedness mandatorily preferred by law. Each guarantee will constitute unsecured and unsubordinated obligations of the relevant guarantor and, subject to the limitation on liability and

	recourse in respect of each responsible entity, will rank equally in right of payment with all existing and future unsecured and unsubordinated indebtedness of each guarantor, except indebtedness mandatorily preferred by law.
Use of Proceeds	We anticipate that the net proceeds from the issue and sale of the Notes will be approximately US$ after deducting the discount to the initial purchasers and before deducting estimated offering expenses payable by us. The Issuers expect to use the net proceeds to repay existing indebtedness including borrowings under our revolving credit facilities. These facilities will then become available to be drawn down to fund our operations in the normal course of business until their respective maturity dates.
Further Issues	The Issuers may from time to time, without notice to or the consent of the registered holders of its Notes, create and issue additional debt securities having the same terms as and ranking equally and ratably in all respects with its Notes sold in this offering, as described more fully in "Description of the Notes and Guarantees—Further Issues."
Additional Amounts	In the event that withholding taxes are required to be withheld or deducted from payments on the Notes sold in this offering or under the guarantees, the Issuers and the guarantors will, subject to certain exceptions described in this offering memorandum (including an exception for United States withholding taxes), pay such additional amounts as will result, after deduction or withholding of such taxes, in the payment of the amounts that would have been payable in respect of such Notes or under the guarantees had no such withholding or deduction been required. See "Description of the Notes and Guarantees—Special Situations—Payment of Additional Amounts."
Optional Redemption for Tax Reasons	The Notes may be redeemed at the option of the Issuers in whole but not in part, at 100% of the principal amount thereof plus accrued interest and any additional amounts due on the date fixed for redemption if certain events occur that would cause the Issuers or any guarantor to become obligated to pay additional amounts as described under "Description of the Notes and Guarantees—Special Situations—Optional Tax Redemption."
Optional Redemption	The Issuers may redeem the Notes in whole or part at any time not earlier than days prior to their maturity date upon giving not more than 45 days and not less than 15 days' notice, at a price equal to 100% of the principal amount of the Notes plus accrued and unpaid interest. At any time prior to days prior to their maturity date, the Issuers may redeem the Notes in whole or from time to time in part at a price equal to 100% of the principal amount of the Notes plus a Make-Whole Amount, and accrued and unpaid interest.

Form and Denomination	Except as described below, the Notes will be issued only in registered form without coupons and in denominations of US$2,000 principal amount and integral multiples of US$1,000 thereafter. Notes sold in the United States in reliance on Rule 144A will be evidenced by Notes in global form called "Restricted Global Notes," which will be deposited with a custodian for, and registered in the name of a nominee of, The Depository Trust Company ("DTC"). Notes sold outside the United States in reliance on Regulation S will be evidenced by separate Notes in global form called a "Regulation S Global Notes," which also will be deposited with a custodian for, and registered in the name of a nominee of, DTC for the accounts of Euroclear and Clearstream. During an initial 40-day period, beneficial interests in the Regulation S Global Note must be held through Euroclear or Clearstream. Transfers of beneficial interests between the Restricted Global Note and the Regulation S Global Note are subject to certification requirements.
Transfer Restrictions	The Notes and the guarantees have not been registered under the Securities Act and are subject to restrictions on transfers. See "Notice to Investors."
Restrictive Covenants	The Issuers and each of the parent guarantors have agreed to observe the following covenants: • as of June 30 and December 31 of each year, the ratio of Net Debt to Net Assets will be no more than 65%; • as of June 30 and December 31 of each year, the ratio of Secured Debt to Total Assets will be no more than 45%; • for the twelve month period ending on June 30 and December 31 of each year the ratio of EBITDA to Interest Expense will be at least 1.50:1.00; and • as of June 30 and December 31 of each year, Unencumbered Assets will be at least 125% of the aggregate principal amount of Unsecured Debt. See "Description of the Notes and Guarantees—Restrictive Covenants," and, in particular, the definitions of the terms used in such restrictive covenants.
Trustee	Citicorp International Limited is the trustee under the indenture under which the Notes will be issued. The address of the trustee is 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong, Attention: Agency & Trust.
Paying Agent, Transfer Agent and Registrar (collectively, the "Agents")	Citibank, N.A., London Branch, a banking corporation organized and existing under the laws of the State of New York, is the paying agent,

	transfer agent and registrar under the indenture. The address of the principal paying agent, transfer agent and registrar is c/o Citibank, N.A., Dublin Branch, 1 North Wall Quay, Dublin 1, Ireland, Attention: Agency & Trust—PPA Payments.
Governing Law	The Notes, the guarantees and the indenture will be governed by laws of the State of New York.
Prescription	Under the laws of the State of New York, claims relating to payment of principal and interest on the Notes will be prescribed according to the applicable statute of limitations.
Risk Factors	Prospective purchasers of the Notes should consider carefully all of the information set forth in this offering memorandum and, in particular, the information set forth under "Risk Factors" before making an investment in the Notes.
Anticipated Ratings of the Notes	A2 (outlook negative) (Moody's) A (outlook negative) (S&P) A (outlook negative) (Fitch) Ratings are statements of opinion, not statements of fact or recommendations to buy, hold or sell any securities. Ratings may be changed, withdrawn or suspended at any time.
Listing	The Notes will not be listed on any securities exchange.

RISK FACTORS

Investing in the Notes offered by this offering memorandum involves risk. You should consider carefully the risks described below before you decide to purchase the Notes. If any of the following risks actually occurs, our business, financial condition and results of operations are likely to suffer. In this case, the trading price of the Notes could decline, and you may lose all or part of your investment.

Risks Relating to Our Business and Industry

The global outbreak of the novel coronavirus (COVID-19) has, and will continue to adversely affect our tenants' financial condition and the profitability and value of our properties.

Our business has been, and will continue to be, adversely affected by the global outbreak of COVID-19 and the impact is likely to be material. The outbreak of COVID-19 commenced in early 2020 and was declared a pandemic by the World Health Organization on March 11, 2020.

Our profitability depends on the ability and willingness of customers to visit our Westfield Living Centres. The governments of both Australia and New Zealand introduced measures designed to slow or stop the spread of the virus that have directly and indirectly affected our Westfield Living Centres. During March 2020, governments in both nations introduced strict border control and travel (both international and domestic) restrictions and also ordered residents to stay at home with a limited range of exceptions.

The New Zealand government ordered all non-essential businesses to close. As a result, the only retail premises that were permitted to remain open in New Zealand were supermarkets, convenience stores and pharmacies. Australian governments ordered a range of premises to close including restaurants, food courts and cafes (other than for takeaway or home delivery), cinemas, bars and gyms, but otherwise permitted retailers to remain open. However, in light of the restrictions on movement and public gatherings and the implementation of social distancing protocols, many of our tenants stated that they would not operate their physical outlets until these restrictions had been lifted.

These measures significantly reduced the number of people visiting our Westfield Living Centres and significantly reduced the sales of many of our tenants. At our Annual General Meeting on April 8, 2020, we stated that approximately 39% of stores in our Australian Westfield Living Centres were open. The loss of sales has placed a number of our tenants under financial strain. A number of retailers have approached us seeking accommodation for the period during which they have received reduced or no sales revenue.

On April 3, 2020, the leaders of the Australian states and territories agreed that their governments will legislate to adopt a uniform code of conduct that is intended to provide a framework for negotiating temporary lease arrangements to share in a proportionate manner the financial risk and cashflow impact during the COVID-19 period. See "Summary—Recent Developments—COVID-19." Our adherence to this code will result in us agreeing to rent waivers and deferrals for small and medium enterprise tenants whose revenues have been significantly affected by the COVID-19 pandemic. We will also be unable to terminate leases of those tenants for non-payment of rent or draw on tenants' security for non-payment of rent. Across our portfolio, we have approximately 2,600 retailers that are subject to the code, representing approximately 30% of our rental income.

The agreements we reach with tenants (including both tenants that are subject to the code and our other retail partners) will result in reduced cash rent collections during this period as part of our tenants' rent obligations may be deferred or abated. This will adversely affect our cash flow and may impact Funds from Operations ("FFO") during this period, however, the effects on our results of operations and financial condition cannot be reliably estimated at this time.

Both the Australian and New Zealand governments have begun to relax the restrictions that were imposed to contain the spread of COVID-19. It is unclear how long the process of relaxing the restrictions will take and at present, there continue to be restrictions and government advice regarding matters such as the number of people permitted within an enclosed space that may affect our retailers. It is unclear whether the risk of infection will

continue to affect people's willingness to visit our centers. If there are further outbreaks, restrictions may be reimposed. Even when restrictions are fully lifted, there may be a period of significantly reduced economic activity, increased unemployment and reduced consumer spending and ongoing or recurrent health and safety concerns may continue to reduce customer visits to our centers. Should this be the case, this will affect the businesses of our tenants and therefore affect ours. See "—Recessionary or low economic growth conditions in our key markets may have an adverse effect on our business." These conditions may result in downward pressure on leasing demand, lease rates and the valuation of our properties. See "—Fluctuations in the fair market value of our properties reflected in revaluations could have an adverse impact on our results of operation."

In light of the COVID-19 pandemic, on March 31, 2020, Moody's affirmed our A2 long term rating but revised our rating outlook from stable to negative, on April 6, 2020, S&P affirmed our A long term rating but revised our rating outlook from stable to negative and, on May 12, 2020, Fitch affirmed our A long term rating but revised our rating outlook from stable to negative. See "—Our credit rating could be downgraded."

In addition, uncertainty about the effects of COVID-19 has resulted in significant disruption to capital and securities markets, which, if it continues, may affect our ability to raise new capital and refinance our existing debt. See " —If we are unable to raise funds on favorable terms to refinance our existing debt, our business could be adversely affected."

To the extent the COVID-19 pandemic adversely affects our business and results of operations, it may also have the effect of heightening the materiality of the other risks described in this "Risk Factors" section.

Recessionary or low economic growth conditions in our key markets may have an adverse effect on our business.

Recessionary or low economic growth conditions in Australia and/or New Zealand markets may impact our business and financial performance and may heighten the potential for realization of one or more of the risks outlined in this section, including:

- a reduced ability to lease space in our Westfield Living Centres;
- impaired financial condition of our tenants or joint venture partners;
- reduced rental income;
- adverse movements in the valuation of our assets; and
- reduced ability to undertake our development and redevelopment activity.

Changes in general economic conditions, fluctuations in the value and rental income of retail properties and other factors may have an adverse effect on our business.

Returns from an investment in our Westfield Living Centres depend largely upon the amount of rental income generated from the properties and the expenses incurred in their operation, including the management and maintenance of the properties as well as changes in the market value of the properties.

Rental income and the market value of our properties may be adversely affected by a number of factors, including:

- the overall conditions in the national and local economies in which we operate, such as growth (or contraction) in gross domestic product, employment trends, consumer sentiment, retail sales and the level of inflation and interest rates;
- local real estate conditions, such as the level of demand for and supply of retail space;
- our ability to redevelop our properties in order to maximize returns on investment from both increased rental income and capital appreciation of the asset;

- the perception of prospective tenants and shoppers of the attractiveness, convenience and safety of our Westfield Living Centres;
- the convenience and quality of competing shopping centers and other retail options such as the internet, as well as trends in the retail industry;
- the financial condition of our tenants and, in particular, our anchor tenants;
- high or increasing vacancy rates;
- changes in retail tenancy laws;
- terrorist attacks on, or other significant security incidents at, one or more of our Westfield Living Centres;
- external factors including major world events such as war, pandemics or natural disasters such as floods and earthquakes; and
- the regulatory and operational impacts of climate change.

In addition, other factors may adversely affect the value of our Westfield Living Centres without necessarily affecting our current revenues and operating income, including:

- changes in laws and governmental regulations, including retail tenancy, zoning, planning, environmental or tax laws;
- potential environmental or other legal liabilities;
- unforeseen capital expenditures;
- supply and demand for retail properties;
- availability of financing;
- changes in interest rates;
- supply of new retail facilities and other investment assets; and
- demand for shopping centers from investors.

Our results of operations could be adversely affected by our inability to continue to lease space in our Westfield Living Centres on economically favorable terms, if at all, or by tenant default.

As a significant portion of our earnings is derived from rental income, our performance depends significantly on the level of tenant default and on our ability to continue to lease space in our Westfield Living Centres (including our redeveloped Westfield Living Centres) on market terms. Our results of operations may be adversely affected if a significant number of tenants or anchor tenants are unable to meet their rent obligations under their leases or if there is a decrease in demand for retail space in shopping centers such that we are unable to renew existing leases or find new tenants on acceptable terms.

If the retail sales of stores operating in our Westfield Living Centres decline significantly due to economic conditions, closure of anchor stores or for other reasons, tenants might be unable to pay their existing base rents or service charges (since these fixed rents and charges would represent a high percentage of their sales). Further, if retail sales decline, tenants would be less willing to pay minimum rent at previous levels and existing tenants will seek a lower rent on renewal. During times of low economic growth, the risks associated with declining retail sales increase.

A negative effect on the financial condition of an anchor tenant could adversely affect our results of operations.

Anchor tenants occupy a significant percentage of the total gross lettable area ("GLA") of our Westfield Living Centres. The bankruptcy, insolvency or a downturn in the business of any of our anchor tenants or the

failure of any anchor tenant to renew its lease when it expires or continue to operate its store, could adversely affect our results of operations, especially where an anchor tenant accounts for a significant amount of our total rental income.

As of December 31, 2019, anchor tenants occupied approximately 51% of the total GLA of our Westfield Living Centres. The largest anchor tenant within our portfolio, measured by GLA, is Myer, which occupied approximately 10.9% of our GLA as of December 31, 2019. The next seven largest anchor tenants are also among the eight largest tenants within our shopping center portfolio as measured by GLA. The approximate total anchor GLA occupied by each of them as a percentage of our GLA are Target (6.6%), David Jones (6.5%), Kmart (5.2%), BIG W (4.1%), Coles (3.7%), Woolworths (3.7%) and Event Cinemas (2.9%).

In addition, closure of anchor stores could adversely affect retail sales of other stores operating in our Westfield Living Centres because anchor tenants play an important part in generating customer traffic and making our Westfield Living Centres desirable locations for retailers generally. A negative change in the financial condition of any of our anchor tenants could result in a substantial decrease in the revenues directly or indirectly contributed by such tenants and have a negative impact on the overall performance of the affected Westfield Living Centre(s).

Fluctuations in the fair market value of our properties reflected in revaluations could have an adverse impact on our results of operation.

In accordance with AAS, we carry our property investments on our balance sheet at fair value. At each reporting date, our board of directors assesses the carrying value of our investment property portfolio, and where the carrying value differs materially from our board of directors' assessment of fair value, we record an adjustment to the carrying value as appropriate. See "Operating and Financial Review—Key Components of Our Financial Results and Their Drivers—Property Revaluations."

Our board of directors' assessment of the fair value of each Westfield Living Centre takes into account the latest independent valuations, with updates taking into account any changes in capitalization rate, underlying income and valuations of comparable shopping centers. As a result, we may have significant non-cash gains or write-downs depending on the change in fair value of our properties from period to period, whether or not we sell such properties. In particular, property value may fall sharply and significantly during times of economic disruption.

The fair market values of our properties were last assessed as of December 31, 2019, and, as such, are based on the property market and cash flow forecasts as of that date. At that date, the full impact of the COVID-19 pandemic was not taken into account in the valuation of our Westfield Living Centres. For more information regarding the impacts of COVID-19, see "Summary—Recent Developments—COVID-19" and "—The global outbreak of the novel coronavirus (COVID-19) has, and will continue to adversely affect our tenants' financial condition and the profitability and value of our properties." As of the date of this offering memorandum, it is not known what impact the COVID-19 pandemic may have on the fair value of our Westfield Living Centres.

If a substantial decrease occurs in the fair value of our properties, our results of operations could be adversely affected and, as a result, we may have difficulty maintaining our desired leverage ratio and other financial measures. This may reduce our flexibility in planning for, or reacting to, changes in our business or industry including our ability to commence new redevelopment projects.

In addition, a number of our financing agreements contain leverage ratio covenants that are calculated as the ratio of our total borrowings adjusted for cash and net currency derivatives to total assets adjusted for cash and currency derivative receivables. Accordingly, a material reduction in the value of our properties as a result of revaluations will have an adverse impact on the leverage ratios contained in our financing agreements.

Changes in consumer sentiment or shopping preferences could affect our tenants' ability to pay rent.

A significant proportion of our revenues depends on rental income from tenants whose ability to pay rent depends on their ability to generate and maintain retail sales. Retail sales are subject to rapid and occasionally unpredictable changes in consumer sentiment or preferences, including due to changes in economic conditions, health and safety concerns as a result of COVID-19, interest rates, levels of disposable income and consumer confidence. If we, or our tenants, misjudge consumer sentiment or preferences, or fail to respond to changing consumer sentiment or preferences, this may result in a decline in our rental income leading to a decline in financial performance.

The emergence of alternative retail channels, especially online retailing, could affect our results of operations.

As shopping patterns change, consumers may prefer alternative retail channels (for example, online retailers, "big box" shopping centers, discount shopping centers and clubs, outlet malls, catalogues, video and home shopping networks, direct mail order and telemarketing) over conventional shopping centers. If we fail to offer a superior, convenient, safe and appealing experience to consumers who visit our Westfield Living Centres compared to alternative retail channels, consumer traffic through our Westfield Living Centres may decline. This in turn may lead to a decline in demand for retail space and adversely impact our financial performance. The demand for retail space may also decline if we are unable to meet the needs of our retailers who are changing the way they do business in response to the change in shopping patterns, including by embracing alternative retail channels.

In particular, online retailing has emerged as the main challenge to conventional "bricks and mortar" retailing in recent years. With consumers increasingly shopping online, retailers are developing their own online shopping platforms or using third party platforms to decrease their dependence on traditional retail channels. Many retailers are as advanced as consumers in adopting digital and mobile technology. Our Westfield Living Centres may gradually lose their appeal and relevance for new age consumers and retailers. Whether we are able to meet this challenge depends on our ability to execute our strategy to connect both groups of consumers and retailers (and the digital world) to our physical Westfield Living Centres and ensure our Westfield Living Centres continue to play a significant role in modern day life.

Terrorist attacks or other security incidents or war could harm the demand for and the value of our properties.

Terrorist attacks or other security incidents or war could damage infrastructure or otherwise inhibit or prevent access to our Westfield Living Centres or harm the demand for, and the value of, our Westfield Living Centres. Certain of our properties are well-known landmarks or located near well-known landmarks and may be perceived as more likely terrorist targets than similar, less recognizable properties. Further, terrorist attacks or other security incidents could discourage consumers from shopping in public places like our Westfield Living Centres. To the extent that our tenants are impacted by terrorist attacks or other security incidents, their ability to continue to honor their obligations under their existing leases with us could be adversely affected.

Cyber security risks and cyber incidents could adversely affect our business and disrupt operations.

Cyber incidents, such as gaining unauthorized access to digital systems for the purpose of misappropriating assets or sensitive information, corrupting data, ransom attacks, or causing operational disruption, can result from deliberate attacks or unintentional events. The result of these incidents could include, but are not limited to, disrupted operations, misstated financial data, liability for stolen assets or information, increased cyber security protection costs, litigation and reputational damage adversely affecting customer or investor confidence or other adverse effects on our business.

We are developing applications and information technology systems to connect the digital consumer with our Westfield Living Centres and tenants, which may involve the collection, storage, and transmission of credit

card information and personal identification data of consumers. If the security of the consumer data stored on our servers or transmitted by our networks were to be breached, we could become subject to litigation, we could be required to pay fines, costs and/or penalties imposed as a result of legislation or regulation and our reputation could be adversely affected, which could adversely impact the overall performance of the affected Westfield Living Centres. Similarly, our tenants collect, store and transmit credit card information and personal identification data of their customers in connection with the operation of their businesses. If a significant tenant or significant number of tenants were to experience a breach in their information technology security, their results of operations could be adversely impacted, which in turn could result in a substantial decrease in the revenues directly or indirectly controlled by such tenants and adversely impact the overall performance of the affected Westfield Living Centres.

We may have conflicts of interest with third parties in jointly owned properties.

Of our 42 Westfield Living Centres, 30 are held through joint ventures or co-ownership arrangements. In a number of these arrangements we do not have exclusive control over certain aspects of the Westfield Living Centres, including development, financing, leasing and management.

From time to time, we are required to make major decisions in respect of co-owned properties, including ongoing capital expenditure, redevelopment and refurbishment, the sale of Westfield Living Centres or surplus land and the purchase of additional land. Co-owners may be competitors and/or have economic or other business interests or goals which are inconsistent with our business interests or goals, and may be in a position to take actions contrary to our objectives. Disputes between us and co-owners may result in litigation or arbitration that would increase expenses and prevent our board of directors and executive team from focusing their time and effort on our business.

In addition, pre-emptive provisions or rights of first refusal may apply to sales or transfers of interests in these co-owned properties. These provisions may work to our disadvantage because, among other things, we may be disadvantaged in a sale process by the need to comply with these provisions.

There is also the risk that co-owners might become bankrupt, insolvent or default on their obligations, resulting in their interest in one or more Westfield Living Centres becoming subject to external administration, transferred to creditors or sold to third parties, or otherwise act in a manner that adversely affects us, or which forces us to take an action (e.g. purchase of that interest pursuant to pre-emptive rights) which we would not otherwise have taken.

We may be adversely affected if third parties terminate their property management agreements with us.

We derive a portion of our income from property management activities. These property management agreements may be terminated by our counterparty if we breach the agreement (subject to specified remedy periods) or under certain other conditions, including, in most cases, a reduction in our ownership of the relevant property to less than a 25% direct or indirect interest or the termination of the co-ownership or development framework agreement relating to such property.

If third parties with whom we have management agreements were to terminate those agreements, our income may be adversely affected. In addition, we may be liable to third parties for damages if we breach these property management agreements.

If we are unable to raise funds on favorable terms to refinance our existing debt, our business could be adversely affected.

We have a number of debt facilities. Our ability to refinance our debt facilities on acceptable terms depends on a number of factors (some of which are out of our control) including general economic, political and capital market conditions, credit availability and the performance, reputation and financial strength of our business.

An adverse change in one or more of those factors could impact our ability to refinance our debt facilities on acceptable terms such as increasing the cost of funding and reducing the availability of funding and so consequently increasing our refinancing risk. For example, any disruption in global credit markets, such as the disruptions associated with the global financial crisis and the European sovereign debt crisis since 2007, may significantly increase the risks and costs associated with obtaining new funding for our development program or acquisitions on acceptable terms, or at all.

If we are unable to refinance our debt facilities on acceptable terms or at all, we may need to seek alternative funding such as asset dispositions or equity capital raisings.

If we are unable to raise funds on favorable terms for our development and redevelopment program, our business could be adversely affected.

The real estate investment and development industry is highly capital intensive. Our ability to raise funds on acceptable terms, including for our development and redevelopment program or acquisitions, depends on many of the same factors affecting our ability to refinance our debt facilities. If funding is unavailable to us, we may need to delay or discontinue our development and redevelopment program or forego growth opportunities from strategic acquisitions.

Our credit rating could be downgraded.

We are rated by external credit rating agencies. Rating agencies that provide a rating for us will review our credit rating from time to time, including at the half-year periods. Any downgrade of our credit rating or adverse change in credit rating outlook assigned by a credit rating agency, whether engaged by us or not, could adversely affect our financial condition and our business operations by increasing the cost of, or limiting or preventing us from securing, additional financing for future business or liquidity needs. There can be no assurance that the credit ratings assigned to us will not change in the future.

On March 31, 2020, Moody's affirmed our A2 long term rating but revised our rating outlook from stable to negative, reflecting their view that there is a high likelihood that further deterioration in the retail environment, caused by the COVID-19 pandemic, will pressure our revenue, income and leverage metrics. On April 6, 2020, S&P affirmed our A long term rating but revised our rating outlook from stable to negative, reflecting their view that our earnings will come under pressure over the next 12 months due to business disruption stemming from the COVID-19 pandemic. On May 12, 2020, Fitch affirmed our A long term rating but revised our rating outlook from stable to negative, reflecting their view that we are exposed to risks of structural changes in the Australian retailing sector following severe economic disruption caused by the spread of COVID-19. For more information regarding the impacts of COVID-19, see "—The global outbreak of the novel coronavirus (COVID-19) has, and will continue to adversely affect our tenants' financial condition and the profitability and value of our properties" and "Summary—Recent Developments—COVID-19."

The geographical concentration of our portfolio may not provide economic diversity.

Our portfolio is entirely located in Australia and New Zealand. As of December 31, 2019, on a consolidated basis by asset value, our portfolio (on the basis of our proportional ownership of such assets) had a 50% exposure to New South Wales, 17% exposure to Queensland, 15% exposure to Victoria, 7% exposure to Western Australia, 4% exposure to South Australia, 3% exposure to the Australian Capital Territory and 4% exposure to New Zealand. Any decline in Westfield Living Centre values or any event or occurrence which has an effect on the value of Westfield Living Centre in one or more States or Territories of Australia or New Zealand, especially in New South Wales, may have a material adverse effect on our business, financial condition, results of operations and/or prospects.

We may be adversely affected if our development, redevelopment and expansion activities are not properly implemented.

Our financial performance will depend in part upon the continued redevelopment and growth of our properties. As of December 31, 2019, projects under construction included the A$50 million (Scentre Group share: A$16 million) project at Westfield Carindale in Brisbane, Australia. We expect to complete this project in 2020. During 2019, we also commenced special projects, including the A$30 million (Scentre Group share: A$15 million) expansion and refurbishment of the level 2 dining precinct at Westfield Doncaster and the A$38 million (Scentre Group share: A$38 million) new format Myer and new specialty stores at Westfield Belconnen. At December 31, 2019, we had also started construction of a A$55 million (Scentre Group share: A$27.5 million) rooftop entertainment, leisure and dining precinct at Westfield Mt Druitt in Sydney, Australia. We have since deferred this project as a result of the impact of COVID-19. In addition, we are currently undertaking pre-development activity on future development opportunities with an estimated value in excess of A$3.0 billion and have potential opportunities for alternative use developments in excess of A$1.5 billion, which may include office, educational and residential projects. However, as a result of the COVID-19 pandemic, we are reviewing the timeline of our pending redevelopments. See"—Recent Developments—COVID-19."

We are subject to the risks associated with our expansion and redevelopment activities, including risks resulting from:

- construction not being completed on budget and on schedule;
- properties not being leased to the level or otherwise on the terms anticipated by the feasibility study prepared for the particular project, especially if the income derived from the redeveloped Westfield Living Centres is lower than expected; or
- our inability or our joint venture partners' inability to obtain funding on acceptable terms, or at all, for our proposed development and redevelopment program.

Development, redevelopment and expansion activities may also involve the following risks:

- failure to obtain, or delay in obtaining, required permits, licenses, consents or approvals;
- changes in laws and governmental regulations including zoning, planning and environmental laws;
- changes in the political or economic environment;
- industrial disputes that may delay projects and/or add to the cost of developments;
- construction costs of a project that may exceed original estimates or available financing;
- temporary disruption of income from an existing Westfield Living Centre which is being redeveloped;
- failure to maintain leased rates for existing retail space, the inability to lease new retail space, rent abatements, and termination of lease agreements and pre-sale agreements;
- loss of consumers due to inconvenience caused by construction;
- incurrence of substantial expenditures before the redevelopment project produces income; and
- delays due to inadequate supply of labor, scarcity of construction materials, lower than expected sales productivity levels, inclement weather conditions, land contamination, difficult site access, objections raised by community interest groups, environmental groups and neighbors, slow decision-making by counterparties, complex construction specifications, changes to design briefs, legal issues and other documentation changes.

If a development or redevelopment project is unsuccessful or does not proceed, our investment cost may exceed the value of the project on completion or we may incur pre-development costs that have to be written off. Our financial performance may be adversely affected in these circumstances.

We may undertake development or redevelopment activities for a third party (including a co-owner) on a fixed price, fixed time basis. We face additional risks in these arrangements. For example, delays may result in liquidated damages against us, design problems or defects may result in rectification or costs or liabilities which we cannot recover and we may be unable to fulfill our statutory and contractual obligations in relation to the quality of our materials and workmanship, including warranties and defect liability obligations.

Given the size and scale of our expansion and redevelopment activities, we may incur additional indebtedness to fund required capital expenditures.

We face a number of risks in connection with any acquisitions of property assets and related redevelopment projects that we may undertake.

We may pursue acquisitions of property assets and related redevelopment projects as opportunities arise that meet our investment criteria and if funding is available. We may acquire retail property assets and redevelopment projects directly or indirectly through the acquisition of entities that own development projects and properties. Such acquisitions involve a number of risks inherent in assessing the values, strengths, weaknesses and profitability of the property assets. While our policy is to undertake appropriate due diligence in order to assess these risks, unexpected problems and latent liabilities or contingencies such as the existence of hazardous substances and/or site contamination (for example, asbestos, requirements for seismic strengthening or other environmental liabilities) may still emerge.

Additionally, the indirect acquisition of properties and related redevelopment projects through, for example, the takeover of another listed property-owning entity, may not allow for the usual standard of due diligence for a specific property acquisition to be undertaken.

Acquisition activities will also involve the following risks:

- the acquired properties may not achieve anticipated rental rates or leased rates;
- assumptions or judgments with respect to improvements to the financial returns (including the leased rates and rents of a completed project) of acquired properties may prove inaccurate;
- we may abandon acquisition opportunities that we have used funds to explore and incur transaction costs that cannot be recovered;
- we may be unable to obtain anchor tenants, financier and co-owner approvals, if applicable, for expansion activities;
- we may be unable to obtain necessary regulatory licenses, consents and approvals for expansion activities; and
- our ability to take advantage of acquisition opportunities may also be limited by regulatory issues or regulatory intervention based on competition grounds.

By growing through acquisition, we face the operational and financial risks commonly encountered with such a strategy, including continuity or assimilation of operations or employees, dissipation of our management resources and impairment and restructuring of relationships with employees and tenants of the acquired property as a result of changes in ownership and management. In addition, depending on the type of transaction, it can take a period of time to realize the full benefits of the acquisition. Moreover, during a period following such a transaction, our operating results may decrease compared to results prior to the transaction.

Competition with other participants in the real estate industry could have an adverse impact on our income and on our ability to acquire properties, develop land and secure tenants effectively.

We face competition from other Australian and New Zealand property groups and other commercial organizations active in the Australian and New Zealand property markets. We also face the threat of new competitors emerging both generally and in particular trade areas.

Accordingly, the existence of such competition may have an adverse impact on our ability to secure tenants for our properties at satisfactory rentals and on a timely basis.

In addition, all of our Westfield Living Centres are located in developed retail and commercial areas, many of which compete with other shopping centers or neighborhood shopping centers within their primary trade area. The amount of rentable space in the relevant primary trade area, the convenience and quality of facilities and the nature of stores at such competing shopping centers could each have an adverse effect on our ability to lease space and on the level of rents we can obtain.

Westfield Corporation (now owned by Unibail-Rodamco-Westfield SE) is not restricted from owning and operating shopping centers in Australia and New Zealand and may decide to enter this market and compete with us in the future. However, under the terms of a trade mark license agreement between Westfield Corporation and us in relation to our use of the Westfield brand, Westfield Corporation would not be permitted to use the Westfield name on any shopping centers that it acquires in Australia and New Zealand. See "Business Description—Westfield Trademark Licensing Agreement."

Illiquidity of our investments in property could adversely affect our ability to vary our investment portfolio if necessary and, as a consequence, reduce our expected financial liquidity.

Investments in property are relatively illiquid, and some of our properties are subject to contractual limitations on transfer. This illiquidity limits our ability to vary our portfolio promptly in response to changes in economic or other conditions. In times of low economic growth or disruption in financial markets, there are fewer potential buyers of shopping center assets, and it may be difficult for potential buyers to obtain financing on acceptable terms, or at all. There is no assurance that we will be able to dispose of a property at the desired time or at a price greater than our total investment in the property.

Litigation and claims may adversely affect our financial performance.

Disputes or litigation may arise from time to time in the course of our business activities, including with respect to the historical activities of Westfield Holdings Limited, Westfield Trust and Westfield Retail Trust. Any material or costly disputes or litigation could adversely affect our financial performance.

Our internal control systems may fail.

Despite our internal control (including risk management control) systems, which we consider to be effective, we face the risk of loss or reputational damage due to human error, fraud or inadequate processes across our operations, including treasury operations. Depending on the nature and scale of such error, fraud or inadequate processes, our losses may be significant.

Our properties may be uninsured or underinsured against various catastrophic losses and failure to maintain adequate insurance may result in a default under our debt instruments.

We carry material damage, business interruption and liability insurance on our properties with policy specifications and insured limits that our board of directors believes are customarily carried for similar properties and operations. However, potential losses, including of a catastrophic nature such as those arising from floods, earthquakes, terrorism, environmental contamination, pandemics or other similar catastrophic events may be either uninsurable, or, in the judgment of our board of directors, not insurable on a financially reasonable basis, or may not be insured at full replacement cost or may be subject to larger excesses.

With respect to terrorism, we carry insurance in New Zealand and have access to the Australian Terrorism Reinsurance Scheme, which is an Australian government scheme that provides cover for eligible terrorism losses in Australia. We seek appropriate coverage having regard to the nature of our properties, operations and regional

legislation. Terrorism Coverage will be dependent on a number of factors such as the continued provision of the Terrorism Reinsurance Scheme in Australia by the Australian Government, the continued availability of terrorism insurance in New Zealand, the nature of risks to be covered, the extent of the proposed coverage and costs involved. In addition, we carry earthquake insurance on our properties located in seismically active areas in an amount and with deductibles that our board of directors believes are commercially reasonable.

If an uninsured loss occurs, we could lose both our invested capital in and anticipated profits from our property portfolio and operations.

Many of our debt instruments, including mortgage loans secured by our properties and our unsecured loan facilities, contain covenants requiring us to maintain certain levels of insurance for our business and assets. If we fail to maintain insurance as required under these covenants, it would breach insurance covenants under such debt instruments, which would allow the lenders to declare an event of default and accelerate repayment of the debt. In addition, lenders' requirements regarding coverage for these risks could adversely affect our ability to finance or refinance our properties and to expand our portfolio.

Inflation may adversely impact our performance through increasing costs and reducing real earnings.

Inflation may adversely impact the general performance of our Westfield Living Centres, impacting our rental income and management fees. A decline in the overall performance of our Westfield Living Centres due to inflation could potentially reduce our real earnings.

Substantially all of our leases with retailers contain provisions designed to lessen the impact of inflation. Such provisions include clauses enabling us to receive periodic index based contractual rent increases during the term of the lease or, to a much lesser extent, percentage rents based on retailer's gross sales, which generally increase as prices rise, or both. Most of the leases require the retailers to pay a proportionate share of operating expenses, including common area maintenance, real estate taxes and insurance, reducing our exposure to increases in costs and operating expenses resulting from inflation. However, these provisions may not be able to recover all of our increased expenses from inflation.

Inflation may also have a negative effect on our other expenses, including interest costs and general and administrative expenses. These costs could increase at a rate higher than rents.

Failure to hedge effectively against adverse fluctuations in interest rates could negatively impact our results of operations.

We are subject to the risk of rising interest rates associated with borrowing on a floating rate basis. We seek to manage all or part of our exposure to adverse fluctuations in floating interest rates by entering into interest rate hedging arrangements, including derivative financial instruments.

Such arrangements involve risk, such as the risk that counterparties may fail to honor their obligations under these arrangements, and that such arrangements may not be effective in reducing exposure to movements in interest rates. To the extent that we do not hedge effectively (or at all) against movements in interest rates, such interest rate movements may adversely affect our results.

AAS requires detailed compliance with documentation, designation and effectiveness requirements before a derivative financial instrument is deemed to qualify for hedge accounting treatment. These documentation, designation and effectiveness requirements cannot be met in all circumstances. As a consequence, we may experience volatility in our reported earnings due to changes in the mark-to-market valuations of our interest rate derivative financial instruments. There can be no assurance that we will not incur non-cash losses in future periods.

Although our interest rate hedging transactions are undertaken to achieve economic outcomes in line with our treasury policy, there can be no assurance that such transactions or treasury policy will be effective.

Fluctuations in foreign exchange rates could negatively affect our earnings and our ability to satisfy our obligations under our outstanding indebtedness.

We derive A$ and NZ$ denominated earnings from our Westfield Living Centre investments in Australia and New Zealand respectively. In addition, we issue foreign currency denominated debt from time to time. We may manage the impact of exchange rate movements on both our earnings and balance sheet by entering into hedging transactions, including derivative financial instruments.

Such arrangements involve risk, such as the risk that counterparties may fail to honor their obligations under these arrangements, and that such arrangements may not be effective in reducing exposure to exchange rate movements. To the extent we do not hedge effectively (or at all) against movements in the exchange rates of currencies in which we operate or obtain financing, such exchange rate movements may adversely affect our earnings and/or balance sheet.

AAS requires detailed compliance with documentation, designation and effectiveness requirements before a derivative financial instrument is deemed to qualify for hedge accounting treatment. These documentation, designation and effectiveness requirements cannot be met in all circumstances. As a consequence, we may experience volatility in our reported earnings due to changes in the mark-to-market valuations of our currency derivative financial instruments. There can be no assurance that we will not incur non-cash losses in future periods.

Although our exchange rate hedging transactions are undertaken to achieve economic outcomes in line with our treasury policy, there can be no assurance that such transactions or treasury policy will be effective.

We are exposed to counterparty credit risk from our financing activities and insurance policies that may adversely affect our financial performance.

Counterparty credit risk is the risk of a loss being sustained by us as a result of payment default by the counterparty with whom we have placed funds on deposit or entered into hedging transactions to hedge our interest rate and foreign exchange risks. Counterparty credit risk also arises to the extent that a claim made under an insurance policy is not paid due to the insolvency or illiquidity of the insurance company. The extent of our loss could be the full amount of the deposit and accumulated interest or, in the case of hedging transactions, the cost of replacing those transactions, or in the case of an unpaid claim, the amount of that claim. Under our insurance and treasury risk management policies, we only deal with counterparties which we believe are of good credit standing, and we have assigned a maximum exposure to each of them according to our assessment of their creditworthiness. These determinations are based upon each counterparty's credit rating(s) and other factors. Even banks and financial institutions with high credit ratings can default, and several of them have experienced difficulties in recent years.

There can be no assurance that we will successfully manage this risk or that such payment defaults by counterparties will not adversely affect our financial condition or performance.

Regulatory issues and changes in laws and accounting standards could adversely affect our reported earnings and our reported financial performance.

We are subject to the usual risk that there may be changes in financial reporting requirements and accounting standards as well as changes in the interpretation of such requirements and standards that may change the basis that we are required to use to prepare our financial statements, which may adversely affect our reported earnings and reported financial performance.

Changes in tax laws may adversely impact our expected tax liabilities and obligations.

Changes in tax laws, or changes in the way tax laws are interpreted in the various jurisdictions in which we operate, may impact our future tax liabilities.

SGT1 and SGT2 have elected into the attribution managed investment trust ("AMIT") regime with effect from January 1, 2019 for Australian taxation purposes. The AMIT regime is a regime that covers the taxation position for managed investment trusts and investors in such trusts. Under this regime, SGT1 and SGT2 are not liable for Australian income tax provided the trusts attribute all of the taxable income of the trusts to members within three months of the end of the year of income.

In addition, while we believe that SGT1 and SGT2 operate in a manner such that the trusts are not subject to Australian income tax, if either of SGT1 or SGT2 failed to satisfy the exclusions from the application of Division 6C of Part III of the Income Tax Assessment Act 1936 (Cth), they would be taxed at the corporate tax rate of 30% on their net taxable income, which may adversely affect our reported earnings and reported financial performance.

Compliance or failure to comply with safety regulations and requirements for disabled people could result in substantial costs.

A number of Australian and New Zealand laws and regulations exist that may require modifications to existing buildings on our properties or restrict some renovations by requiring improved access to such buildings by disabled persons. Additional legislation or regulations may impose further obligations on owners with respect to improved access by disabled persons. The costs of compliance with such laws and regulations may be substantial, and limits or restrictions on completion of some renovations may limit implementation of our investment strategy in some instances or reduce overall returns on our investments. We could be adversely affected by the costs of compliance with such laws and regulations.

We are subject to extensive environmental regulations that could impose significant costs or liabilities on us.

As an owner of real property in Australia and New Zealand, we are subject to extensive regulation under environmental laws. These laws vary by jurisdiction and are subject to change. Current and future environmental laws (including but not limited to those that may be driven by climate change) could impose significant costs or liabilities on us.

For instance, under certain environmental laws, current or former owners or operators of real property may become liable for costs and damages resulting from soil or water contaminated by hazardous substances (for example, as a result of leaking underground storage tanks). Under these laws, an owner or operator may be liable regardless of whether they knew of, or were responsible for, the presence of such substances. Persons who arrange for the disposal of hazardous substances (for example, at a landfill) also may be liable. In some cases, liability may be joint and several. These laws may result in significant unforeseen costs to us, or impair our ability to sell or rent real property or to borrow money using contaminated property as collateral, on acceptable terms or at all.

In addition, the presence of hazardous substances on our properties could result in personal injury claims. These claims could result in costs or liabilities that could exceed the value of the property on which hazardous substances are present. Environmental incidents could adversely affect the operations of a property including its closure.

Asbestos-containing materials are present in a number of the Westfield Living Centres that comprise our portfolio as a consequence of building practices typical at the time our Westfield Living Centres were

constructed. Environmental and safety laws regulate these materials and may allow personal injury or other claims for damages due to exposure to such materials. Although the costs and liabilities associated with such laws have not in the past been material to us, there can be no assurance that they will not be material to us in the future.

It is our practice on acquisition, where considered necessary, to subject the properties to an environmental assessment by independent consultants (commonly referred to as Phase I which generally involves a review of records with no visual inspection of the property, or soil or ground water sampling). However, these assessments may fail to identify all environmental problems, for example, a building may require extensive works to meet statutory requirements in respect of seismic strengthening. Based on these assessments, we are not aware of any environmental claims or other liabilities that would require material expenditures by us. However, we could become subject to such claims or liabilities in the future.

Changes in general laws could impose significant costs on us.

We are subject to the usual business risk that there may be changes in general laws that reduce our income or increase our costs. For example, there could be:

- changes in retail tenancy laws that limit our recovery of rent or certain property operating expenses;
- new or revised legislation on climate change and energy such as emissions trading, targets for renewable energy and energy efficiency, the costs of which may not be recoverable from tenants;
- changes or increases in real estate taxes that cannot be recovered from our tenants; or
- changes in environmental or building laws or codes that require significant capital expenditure.

We may not be able to retain and/or attract personnel who are critical to Scentre Group's business.

We have a number of key employees with highly specialized skills and extensive experience in their fields. If several of these employees were to leave, we may have difficulty replacing them immediately. The risk of the loss of key employees may increase as we continue with organizational changes. Although we have succession planning, people and development plans and strong diversity and inclusion programs, there can be no assurance that we would be successful in hiring and training suitable replacements without undue costs or delays.

If we are unable to retain key employees or attract new highly qualified employees, it could have a negative impact on our business, financial situation and results.

Risks Relating to the Notes

Our significant debt levels may affect the way we carry on our business in the future and have other adverse effects on us.

We have a significant amount of debt. As of December 31, 2019, on a consolidated basis, we had net debt (total borrowings adjusted for cash and net currency derivatives) of A$12.9 billion. As of December 31, 2019, our leverage ratio, calculated in accordance with the leverage ratio covenant of Net Debt to Net Assets to be contained, and as those terms will be defined, in the indenture that will govern the Notes was 33.9%. See "Operating and Financial Review—Liquidity and Capital Resources—Gearing Policy and Debt Facilities."

The material consequences of having significant debt levels are as follows:

- we need to use a substantial portion of cash from our operating activities to pay interest on our debt. Our ability to generate sufficient cash from our business to repay our debts is subject to various factors including many which are beyond our control;

- our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate may be limited because available cash flow after repaying principal and paying interest on debt may not be sufficient to meet the capital and other expenditures needed to address these changes;
- adverse economic, credit or financial market or industry conditions are more likely to have a negative effect on our business because, during periods in which we experience lower earnings and cash flow, we will be required to devote a proportionally greater amount of our cash flow to repaying principal and paying interest on our debt. See "—Recessionary or low economic growth conditions in our key markets may have an adverse effect on our business" and "—The global outbreak of the novel coronavirus (COVID-19) has, and will continue to adversely affect our tenants' financial condition and the profitability and value of our properties";
- we may be at a competitive disadvantage to our competitors that have relatively less debt and have more cash flow available to devote to capital expenditures and other strategic purposes;
- our ability to obtain financing in the future for our development and redevelopment program, working capital, capital expenditures or other purposes on acceptable terms or at all may be limited because of the restrictions contained in existing debt agreements and debt levels;
- our ability to make acquisitions and take advantage of significant business opportunities may be negatively affected if we need to obtain the consent of our lenders to take any such action or if, because of existing debt levels, we are not able to obtain additional financing for these opportunities; and
- our credit rating may be adversely affected, which may impact our ability to access new financing and/or the price of any new financing.

In addition, leverage levels may be reviewed and modified from time to time without notice to or any approval of our security holders. Specifically, we may decide to increase our current debt level for a major acquisition or to fund our development program provided that we believe it is in keeping with our strategy at that time which may include returning to our desired leverage ratio over a period of time.

If our cash flow and capital resources are not sufficient to make principal repayments and interest payments on our debt and fund our working capital and other business needs, we could be forced to:

- reduce or delay scheduled capital expenditures, development and redevelopment programs or forgo acquisitions or other business opportunities;
- sell material assets or operations;
- raise additional equity capital (including hybrid equity capital);
- restructure or refinance our debt; or
- undertake other protective measures.

Some of these transactions could occur at times or on terms that are disadvantageous to us. Slow economic growth conditions or disruptions in global credit markets, such as those associated with the global financial crisis and the European sovereign debt crisis since 2007, could result in a higher than normal risk that, if we were required to take such steps in these circumstances, the transaction terms would be disadvantageous to us, or such options may not be available at all.

We may not be able to generate sufficient cash flow to satisfy our existing and future debt obligations.

Our ability to repay the principal and pay interest on our debt depends on the future performance and cash flow of our business which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors, many of which are beyond our control. Our historical financial results have been, and it is anticipated that our future financial results will continue to be, subject to fluctuations. Cash flows can vary and our business may not generate sufficient cash flow from operations to enable us to satisfy our debt and other obligations.

Significant expenditures associated with each real estate investment, such as maintenance costs, property rates and taxes, are generally not reduced when circumstances cause a reduction in revenue from the investment. Under these circumstances, the financial performance and value of the relevant property would be adversely affected.

In addition, we have a development pipeline and existing construction projects that require us to make substantial expenditures upfront before beginning to earn income from the redeveloped property. This may impair our ability to service our debt.

Despite our current debt levels, we may be able to incur substantially more debt, which could increase the risks described above.

We may be able to incur substantial additional debt in the future. We intend to maintain our leverage ratio in the mid 30% range over the long term. We may review and modify our leverage levels from time to time without notice to or any approval of our security holders. Specifically, we may decide to exceed our current debt level for a major acquisition provided that we believe we can return to our desired leverage ratio within a short period of time.

Our ability to incur indebtedness depends, in part, upon our continued compliance with the financial covenants contained in the agreements governing our indebtedness, including the indenture that will govern the Notes. The amount of indebtedness that we can incur will vary as a result of changes in our earnings and cash flows and the value of our assets. As of December 31, 2019, our leverage ratio, calculated in accordance with the leverage ratio covenant of Net Debt to Net Assets to be contained, and as those terms will be defined, in the indenture that will govern the Notes was 33.9%.

As the Notes and the guarantees are unsecured, your right to receive payment may be adversely affected.

The Notes and the Guarantees will be unsecured. As of December 31, 2019, on a consolidated basis, we had A$265.5 million of secured borrowings outstanding. The Notes and Guarantees will rank *pari passu* with our other unsecured borrowings. To the extent that the Issuers or the guarantors grant security interests over their assets, the secured lenders will be entitled to exercise the remedies available to such lenders under applicable laws. Depending on the relevant circumstances and applicable laws, where security interests are granted by the Issuers or guarantors, if the relevant Issuer defaults on any Notes issued by it or the guarantors default on the Guarantees, or after the bankruptcy, liquidation or reorganization of any of them, then any assets that are secured will be used to satisfy the obligations under that secured indebtedness before payment on the Notes or the Guarantees can be made. In such case, there may only be limited assets available to make payments on the Notes or the Guarantees in the event of an acceleration of the Notes. We can give no assurance that there will be sufficient assets to pay amounts due on the Notes. As a result, Noteholders may receive less ratably than the lenders of our secured indebtedness. If there is not enough collateral to satisfy the obligations of the secured indebtedness, then, subject to the provisions of applicable laws, the amounts remaining unpaid on the secured indebtedness would share equally with all unsubordinated unsecured indebtedness.

Your right to receive payments on the Notes or the guarantees may be adversely affected by laws relating to creditors' rights, fraudulent conveyance, Australian and New Zealand insolvency laws and similar laws.

RE1 Limited (and its relevant trust), RE2 Limited (and its relevant trust), Scentre Management Limited (and its relevant trust), SGL, RE (NZ) Finance Limited and Scentre Finance (Aust) Limited are constituted or organized under the laws of the Commonwealth of Australia or New Zealand, and therefore, insolvency proceedings with respect to them would be likely to proceed under, and be governed by, Australian or New Zealand insolvency law, as applicable. The procedural and substantive provisions of Australian or New Zealand insolvency laws afford debtors and unsecured creditors only limited protection from the claims of secured creditors. It may not be possible for the Obligors or other unsecured creditors to prevent or delay the secured creditors from enforcing their security to repay the debts due to them.

Fraudulent conveyance laws or similar provisions or principles have been enacted or exist for the protection of creditors in a number of jurisdictions, and guarantees of the Notes by some of the guarantors may be subject to claims that they should be subordinated or avoided in favor of creditors of the guarantors.

Under Australian law, if an order to wind-up were to be made against any Issuer or guarantor and a liquidator was appointed for any such Issuer or guarantor, the liquidator would have the power to investigate the validity of past transactions and may seek various court orders, including orders to void certain transactions entered into prior to the winding-up of such Issuer or guarantor and for the repayment of money. These include transactions entered into within a specified period of the winding-up that a court considers uncommercial transactions or transactions entered into when winding-up is imminent that have the effect of preferring a creditor or creditors or otherwise defeating, delaying or interfering with the rights of creditors.

A liquidator has similar powers under New Zealand law to seek court orders, including orders to void certain transactions entered into prior to the commencement of liquidation of an Issuer or guarantor and for the repayment of money. These include transactions entered into within a specified period of the commencement of liquidation that involve the granting of security, are at undervalue or that have preferential effect, and transactions made with an intent to prejudice a creditor.

In addition to the matters described above, under the laws of the jurisdictions where the guarantors are organized, the Guarantees given by those other guarantors may be set aside, subordinated or otherwise avoided by the application of fraudulent conveyance, financial assistance, bankruptcy, examination, insolvency and administration, statutory management, equitable subordination principles or other similar provisions or principles existing under the laws of the relevant jurisdiction, including as a result of the application of laws in relation to the duties of directors to act in good faith and for proper purposes. In addition, other debts and liabilities of those guarantors, such as certain employee entitlements or amounts owed to tax authorities, may rank ahead of claims under the Guarantees in the event of administration or insolvency or statutory management or similar proceedings. If one or more of the Guarantees are set aside or otherwise avoided, a claim by a Noteholder against the guarantors giving those Guarantees could be lost or limited and it is possible that it will only have a claim against the Issuers and any remaining guarantors.

In September 2017, the Australian Government passed reforms to Australian insolvency laws, including the introduction of an “ipso facto” moratorium. The legislation provides that enforcement of certain rights against a company under a contract, agreement or arrangement (such as a right entitling a creditor to terminate the contract or to accelerate payments or providing for automatic acceleration) are stayed for a certain period of time (and in some cases indefinitely), if the right for enforcement arises for the reason that the corporation is in voluntary administration, or a managing controller is appointed to it, or it is, or announces that it will be applying to be, subject to a creditors’ scheme of arrangement, or that it relates to the company’s financial position during any of those proceedings. The specified proceedings do not include liquidation. The new ipso facto regime came into effect in Australia on July 1, 2018 and will apply to ipso facto rights arising under contracts, agreements or arrangements entered into after July 1, 2018, subject to certain exclusions. On June 21, 2018, the Australian federal government introduced regulations setting out the types of contracts and contractual rights which will be excluded from the stay (the “Regulations”).

The Regulations provide, among other things, that any ipso facto rights under a contract, agreement or arrangement that is or governs securities, financial products, bonds or promissory notes will be exempt from the moratorium. Furthermore, a contract, agreement or arrangement under which a party is or may be liable to subscribe for, or to procure subscribers for, securities, financial products, bonds or promissory notes is also excluded from the stay. Accordingly, the Regulations should exclude the Notes and certain other related arrangements from the stay. As the legislation and the Regulations are new to the insolvency regime in Australia, they have not been the subject of judicial interpretation. If the Regulations are determined not to exclude the Notes or related arrangements from their operation under the exclusions mentioned above or any other exclusion under the Regulations, this may render unenforceable in Australia provisions of the Notes or related arrangements conditioned solely on the occurrence of events giving rise to ipso facto rights.

Since the Issuers and parent guarantors conduct their operations through other subsidiaries, your right to receive payments on the guarantees is dependent on the payment of dividends or distributions to the parent guarantors and Issuers by their respective subsidiaries.

The Issuers and one of the parent guarantors, SGT3, are holding trusts. The other parent guarantor, SGL, is a holding company. As such, substantially all of their operations are carried on through their subsidiaries. Their principal source of income is dividends or distributions, and their ability to meet their financial obligations is dependent on the level of dividends, distributions, loan repayments and other intercompany transfers of funds they receive from their subsidiaries. There are no contractual obligations for their subsidiaries to make regular dividend or distribution payments to them. In addition, the ability of the directors of a subsidiary of SGT1, SGT2, SGT3 or SGL to declare dividends or distributions or the amount of such payments will depend on that subsidiary's operating results and will be subject to applicable laws and regulations. For example, under Australian law, a company may not pay a dividend unless it satisfies certain balance sheet solvency requirements. Claims of creditors of their subsidiaries have priority to the assets of such subsidiaries over the claims of SGT1, SGT2, SGT3 and SGL. Consequently, the claims of the holders of Notes issued by the Issuers and guaranteed by the parent guarantors are structurally subordinated, in the event of the insolvency of SGT1, SGT2, SGT3 or SGL, to the claims of the creditors of their subsidiaries.

SML, RE1 and RE2 are the trustees and responsible entities of SGT1, SGT2 and SGT3, respectively. All of the operations are conducted and assets are owned by the trusts and the subsidiaries of the trusts. SML and RE1, as Issuers and RE2, as parent guarantor, will only be able to satisfy the claims of their creditors, including claims of holders of the Notes issued by the Issuers and guaranteed by RE2 (in their capacity as trustee and responsible entity of SGT1, SGT2 and SGT3, respectively) under the guarantees, out of the assets of the trusts, including any dividends, distributions, loan repayments or other intercompany transfers of funds that the trusts receive from their respective subsidiaries. There are no contractual obligations for subsidiaries of SGT1, SGT2 or SGT3 to make regular dividend payments or distributions to SML, RE1 or RE2 as the responsible entities of SGT1, SGT2 or SGT3, respectively.

Your right to receive payment under the Notes will effectively rank behind the creditors of our subsidiaries not guaranteeing the Notes.

Not all of the current and future subsidiaries of SGL, SGT1, SGT2 and SGT3 will guarantee the Notes. In the event that any of these non-guaranteeing subsidiaries become insolvent, liquidate, reorganize, dissolve or otherwise wind up, the assets of those non-guaranteeing subsidiaries will be used first to satisfy the claims of their creditors. Consequently, claims of Noteholders will be structurally subordinated to all of the claims of the creditors of (including lenders to, or beneficiaries of guarantees given by) such non-guaranteeing subsidiaries.

Subsidiaries of the Parent Guarantors may guarantee other debt while not required to guarantee the Notes.

If any subsidiary (other than an existing Subsidiary Guarantor) of any of the Parent Guarantors guarantees any indebtedness of any Parent Guarantor or any of their respective subsidiaries at any time before or subsequent to the date hereof, there are no terms in the Notes which would require such subsidiary to become a Subsidiary Guarantor.

Noteholders will not be entitled to the benefits of the Master Negative Pledge Deed Poll and Master Guarantee Deed Poll.

Our unsecured bank debt is underpinned by a Master Guarantee Deed Poll (the "Master Guarantee") and a Master Negative Pledge Deed Poll (the "Master Negative Pledge"). The Master Negative Pledge is between SGL, SGT1, SGT2 and SGT3 and contains the representations and warranties, undertakings, financial covenants, review events and events of default which are intended to be common, to the extent practicable, across all unsecured bank loan facilities provided to us which have the benefit of the structure. Each lender who benefits as

a finance party under the Master Negative Pledge is able to enforce it. The Master Negative Pledge may be amended and waived on the instructions of the majority of these lenders (with certain exceptions, where the consent of all such lenders will be required). The holders of the Notes will not be designated as finance parties and, therefore, will not be entitled to the benefits of the Master Negative Pledge.

In addition to standard events of default relating to non-payment, breach of undertaking or warranty, cross-default, insolvency and ceasing business, it is an event of default if a trustee or responsible entity of SGT1, SGT2 or SGT3 ceases to be sole trustee or responsible entity and is not replaced within 60 business days by an entity which is a member of Scentre Group or one which is approved by the requisite majority of the applicable lenders. It is a review event (which can lead to demand for repayment) if, except in limited circumstances, our equity securities cease to be listed on the Australian Securities Exchange.

The Master Guarantee contains the guarantee for substantially all of our unsecured bank debt borrowing facilities. Under the Master Guarantee, SGL, SGT1, SGT2 and SGT3 (and their respective treasury subsidiaries), on a joint and several basis, agree to guarantee the obligations of certain debtors within Scentre Group. Each lender which has the benefit of the Master Guarantee may enforce it. The holders of Notes will not have the benefit of the Master Guarantee and, accordingly, will have no claim against those finance subsidiaries which are bound by the Master Guarantee but are not the Issuers or Subsidiary Guarantors.

Except in limited circumstances, the liability of each responsible entity will be limited to the extent to which such liability can be satisfied out of the assets of the trust of which it is trustee and responsible entity.

Each of RE1 Limited and Scentre Management Limited is an Issuer and is jointly and severally liable with the other Issuer for their obligations under the Notes, in each case, solely in its capacity as the responsible entity and trustee of the relevant trust (namely Scentre Group Trust 1 (in the case of Scentre Management Limited) and Scentre Group Trust 2 (in the case of RE1 Limited)). Furthermore, RE2 Limited, solely in its capacity as the responsible entity and trustee of Scentre Group Trust 3, guarantees the obligations of the Issuers under the Notes on a joint and several basis with the other guarantors. The liability of each responsible entity in relation to the Notes and its guarantee of the Notes is limited to and can be enforced against it only to the extent to which such liability can be satisfied out of the assets of the relevant trust from which the responsible entity is actually indemnified for the liability. None of the assets of a responsible entity (other than assets which are held by the responsible entity in its capacity as the responsible entity and trustee of the relevant trust and out of which the responsible entity is actually indemnified for the liability and which are available to the responsible entity in accordance with the terms of the constitution of the relevant trust to meet its obligations in relation to the Notes and its guarantee of the Notes) are available to meet claims under the Notes and the guarantee of the Notes given by that responsible entity.

In addition, each responsible entity is not entitled to indemnification out of the assets of the relevant trust (and therefore, in such a case, an investor's ability to recover amounts owing under the Notes and the guarantee of the Notes given by the responsible entity will be limited to an action against the personal assets of the responsible entity) if the responsible entity acts fraudulently, negligently or breaches its duty with respect to the relevant trust (whether or not such breach is in respect of the Notes or the guarantee of the Notes given by the responsible entity). Each responsible entity is not liable to satisfy any obligation or liability from its personal assets, except to the extent that the obligation or liability is not satisfied because there is a reduction in the extent of the responsible entity's indemnification out of the assets of the relevant trust as a result of any fraud, negligence or breach of duty on the part of the responsible entity.

There is no established trading market for the Notes that the Issuers are offering and one may not develop.

The Notes are a new issue of securities with no established trading market, and one may never develop. If a market does develop, it may not be very liquid. In addition, the Notes will not be listed on any securities exchange. Therefore, investors may not be able to sell their Notes easily, at favorable prices or at prices that will

provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for notes that are especially sensitive to interest rate, currency or market risks, are possibly designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of notes generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of the Notes.

Prior to their maturity, the secondary market value of the Notes may also be influenced by many factors including, without limitation, our operating performance, prevailing interest rates, market sentiment or risk aversion generally, which may be associated with volatile global credit markets, as evidenced during the European sovereign debt crisis.

Credit ratings may not reflect all risks of investing in the Notes.

The credit ratings assigned to the Notes may not reflect the potential impact of all risks related to structure, market, additional factors discussed above and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

USE OF PROCEEDS

We estimate that the net proceeds from this offering will be US$ after deducting the discount to the initial purchasers and before deducting estimated offering expenses payable by us.

SGT1 will receive net proceeds from this offering of US$. SGT2 will receive net proceeds from this offering of US$. The Issuers expect to use the net proceeds to repay existing indebtedness including borrowings under our revolving credit facilities. These facilities will then become available to be drawn down to fund our operations in the normal course of business until their respective maturity dates. Affiliates of certain of the initial purchasers are lenders under certain of these facilities and, accordingly, may receive a portion of the net proceeds from this offering.

THE ISSUERS

General

Scentre Management Limited, in its capacity as responsible entity and trustee of Scentre Group Trust 1 and RE1 Limited, in its capacity as responsible entity and trustee of Scentre Group Trust 2, are co-issuers of the Notes.

Capitalization and Indebtedness of the Issuers

The following table sets out the capitalization and indebtedness of each of the Issuers as of December 31, 2019:

Scentre Group Trust 1

	As of December 31, 2019(1)
	(in millions) (actual)
Cash and cash equivalents	A$ 43.3
Indebtedness	
Short-term borrowings:	
Unsecured borrowings	1,486.0
Total short-term borrowings	1,486.0
Long-term borrowings:	
Unsecured borrowings	5,950.8
Secured borrowings	265.5
Total long-term borrowings	6,216.3
Total borrowings	7,702.3
Other financial liabilities(2)	689.0
Equity	
Contributed equity	1,527.2
Reserves	24.3
Retained profits	7,618.6
Total equity attributable to members of Scentre Group Trust 1	9,170.1
Contributed equity	70.3
Retained profits	139.0
Total equity attributable to external non-controlling interests	209.3
Total equity	9,379.4
Total capitalization(3)	**A$17,770.7**

(1) The table above has not been adjusted to reflect the impact of this offering and the application of the proceeds therefrom.
(2) Other financial liabilities comprise property-linked notes.
(3) Total capitalization does not include "Cash and cash equivalents."

Scentre Group Trust 2

	As of December 31, 2019(1) (in millions) (actual)
Cash and cash equivalents	A$ 42.3
Indebtedness	
Short-term borrowings:	
Unsecured borrowings	732.9
Total short-term borrowings	732.9
Long-term borrowings:	
Unsecured borrowings	4,595.0
Total long-term borrowings	4,595.0
Total borrowings	5,327.9
Equity	
Contributed equity	7,968.2
Reserves	21.9
Retained profits	5,374.6
Total equity attributable to members of Scentre Group Trust 2	13,364.7
Total equity	13,364.7
Total capitalization(2)	**A$18,692.6**

(1) The table above has not been adjusted to reflect the impact of this offering and the application of the proceeds therefrom.

(2) Total capitalization does not include "Cash and cash equivalents."

CAPITALIZATION OF SCENTRE GROUP

The following table sets forth the capitalization of Scentre Group on a historical consolidated basis as of December 31, 2019.

You should read the following table in conjunction with "Selected Consolidated Financial Data," "Operating and Financial Review" and the Scentre Group financial statements which were audited by Ernst & Young and included elsewhere in this offering memorandum.

	As of December 31, 2019(1) (in millions) (actual)
Cash and cash equivalents	A$ 253.0
Indebtedness	
Short-term borrowings:	
Unsecured borrowings	1,713.6
Total short-term borrowings	1,713.6
Long-term borrowings:	
Unsecured borrowings	11,840.6
Secured borrowings	265.5
Total long-term borrowings	12,106.1
Total borrowings	13,819.7
Other financial liabilities(2)	689.0
Equity	
Aggregate stapled security holders' interests:	
Contributed equity	10,164.0
Reserves	118.3
Retained profits	13,056.3
Total equity attributable to members of Scentre Group	23,338.6
External non-controlling interests:	
Contributed equity	70.3
Retained profits	139.0
Total external non-controlling interests	209.3
Total equity	23,547.9
Total capitalization(3)	**A$38,056.6**

(1) The table above has not been adjusted to reflect the impact of this offering and the application of the proceeds therefrom.
(2) Other financial liabilities comprise property-linked notes.
(3) Total capitalization does not include "Cash and cash equivalents."

SELECTED CONSOLIDATED FINANCIAL DATA

The income statement and cash flow information for the years ended December 31, 2019, 2018 and 2017 and the balance sheet information as of December 31, 2019 and 2018 have been extracted from the audited Scentre Group financial statements for the years ended December 31, 2019 and 2018 included in this offering memorandum, and reflect the results of operations, cash flows and assets and liabilities of Scentre Group.

The Scentre Group financial statements have been prepared in accordance with the recognition and measurement principles of AAS and IFRS, which differ from U.S. GAAP. You should read the selected consolidated financial data set forth below together with the information in "Financial Information Presentation," "Operating and Financial Review" and "Risk Factors," and the audited Scentre Group financial statements included elsewhere in this offering memorandum.

	Year Ended December 31,		
	2019	2018	2017
		(in millions)	
Scentre Group Income Statement			
Revenue			
Property revenue(1)	A$2,160.9	A$2,149.2	A$2,098.3
Property development and management revenue	455.5	485.9	371.3
Total revenue	**2,616.4**	**2,635.1**	**2,469.6**
Expenses			
Property expenses, outgoings and other costs(1)	(476.3)	(476.3)	(465.8)
Property development and management costs	(325.9)	(354.5)	(245.8)
Overheads	(88.1)	(85.9)	(88.6)
	(890.3)	**(916.7)**	**(800.2)**
Share of after tax profits of equity accounted entities			
Property revenue(1)	217.3	209.2	212.7
Property expenses, outgoings and other costs(1)	(53.5)	(49.1)	(50.4)
Net interest income/(expense)	0.1	0.1	(1.5)
Property revaluations	(32.6)	87.2	160.1
Tax expense	(11.4)	(12.5)	(14.7)
	119.9	**234.9**	**306.2**
Currency gain/(loss)	15.4	(29.7)	6.4
Gain in respect of capital transactions	120.6	40.1	—
Property revaluations	(119.3)	1,060.5	3,056.7
Earnings before interest and tax (EBIT)	**1,862.7**	**3,024.2**	**5,038.7**
Financing costs	(622.8)	(685.1)	(754.8)
Interest income	4.6	3.1	3.2
Tax expense	(56.9)	(46.3)	(55.7)
Profit after tax	**1,187.6**	**2,295.9**	**4,231.4**
Profit after tax for the period attributable to:			
—Members of Scentre Group	1,179.5	2,287.2	4,217.9
—External non-controlling interests	8.1	8.7	13.5
	A$1,187.6	**A$2,295.9**	**A$4,231.4**

(1) The following table shows Scentre Group's Net Property Income on a proportionate basis by country for the years ended December 31, 2019, 2018 and 2017. Net Property Income is property revenue less property expenses, outgoings and other costs.

	Year Ended December 31,		
	2019	2018	2017
		(in millions)	
Net Property Income			
Property revenue			
—Australia—Proportionate	A$2,271.7	A$2,256.7	A$2,198.7
—New Zealand—Proportionate	106.5	101.7	112.3
Total	**2,378.2**	**2,358.4**	**2,311.0**
Net property income			
—Australia—Proportionate	1,767.5	1,752.9	1,709.2
—New Zealand—Proportionate	80.9	80.1	85.6
Total	**A$1,848.4**	**A$1,833.0**	**A$1,794.8**

	As of December 31,	
	2019	2018
	(in millions)	
Balance Sheet		
Cash assets	A$ 253.0	A$ 206.1
Investment properties(2)	34,855.3	36,044.8
Working capital(3)	(2,048.5)	(2,320.1)
Total assets	39,883.4	40,875.0
Total liabilities	16,335.5	17,009.2
Net assets	A$23,547.9	A$23,865.8

(2) As of December 31, 2019 and 2018, we had A$853.3 million and A$828.5 million, respectively, of assets that were property interests subject to encumbrances.

(3) Current assets less current liabilities.

	Year Ended December 31,		
	2019	2018	2017
		(in millions)	
Scentre Group Cash Flow Statement			
Net cash inflows from operating activities	A$ 1,300.5	A$ 1,299.3	A$1,225.1
Net cash inflows/(outflows) from investing activities	812.1	(1,715.1)	(406.1)
Net cash inflows/(outflows) from financing activities	A$(2,065.7)	A$ 445.7	A$ (802.3)

OPERATING AND FINANCIAL REVIEW

You should read the following operating and financial review together with the Scentre Group financial statements included elsewhere in this offering memorandum. Certain statements in this section are "forward-looking statements" and are subject to risks and uncertainties, which may cause actual results to differ materially from those expressed or implied by such forward-looking statements. Please see "Forward-Looking Statements" and "Risk Factors" for more information.

Overview

This Operating and Financial Review is divided into the following sections:

Description of Scentre Group—a general description of our business activities, the key drivers of our financial results and economic factors affecting our business and results of operations.

Results of Operations—a discussion and analysis of our consolidated results of operations for the year ended December 31, 2019 compared to the year ended December 31, 2018 and for the year ended December 31, 2018 compared to the year ended December 31, 2017.

Liquidity and Capital Resources—an analysis of our cash flows and sources and uses of cash.

Contractual Obligations and Other Commitments—a summary of our debts and contractual obligations.

Quantitative and Qualitative Disclosures About Market Risk—disclosures regarding our market risk.

Critical Accounting Policies—a discussion of our accounting policies that require critical judgments and estimates.

Description of Scentre Group

Our Business

We are an industry leading, internally managed retail property group focused on investing and operating retail shopping centers in Australia and New Zealand, which we refer to as our "Westfield Living Centres." We own a vertically integrated Australian and New Zealand retail property operating platform and retail property portfolio, with capabilities including property management, leasing, design, development, construction, marketing and funds management. Our Westfield Living Centres are destinations of choice for shopping, dining, entertainment, events and socializing in major cities across Australia and New Zealand.

We were formed in 2014 to own the Australian and New Zealand assets of the former Westfield Group and Westfield Retail Trust. We have an exclusive, continuing and royalty free license to use the Westfield brand in Australia and New Zealand for our existing shopping center portfolio and any new shopping centers in Australia and New Zealand which meet certain agreed characteristics.

We are the largest listed retail property group in Australia and New Zealand, with an equity market capitalization of A$12.1 billion (US$7.9 billion) as of April 30, 2020. We own a property portfolio comprising interests in 42 Westfield Living Centres in Australia and New Zealand as of December 31, 2019. The book value of our proportional interest in our Westfield Living Centres was A$38.2 billion and assets under management was A$56.0 billion as of December 31, 2019. The book value of our proportional interest includes construction in progress and assets held for redevelopment.

Our income is derived primarily from properties owned by us either wholly or through joint ventures or co-ownership arrangements with third parties.

We are a vertically integrated and internally managed shopping center group. Our activities include:

- ***Westfield Living Centre Ownership***—Our Westfield Living Centres are generally located in prime trade areas in major cities, are anchored by long-term tenancies with major retailers and incorporate a wide cross-section of high-quality specialty retailers and national chain store operators. Our Westfield Living Centres are spread across five states and one territory in Australia as well as in New Zealand. The size of our property portfolio and revenue base significantly reduces our dependence upon any single tenant or property.
- ***Property Management, Marketing and Leasing***—Property management involves day-to-day management, leasing and marketing of our Westfield Living Centres as well as the next generation of new income opportunities.

  We aim to maximize income and capital growth by creating an efficient and highly productive (by annual retail specialty sales per square meter) environment for retailers and a superior experience for consumers. We work closely with retailers to provide a superior shopping experience and develop strong relationships with consumers through various marketing initiatives, including our new customer experience net promoter system and smartscreen media business, and supporting the local community surrounding each Westfield Living Centre.

  Our portfolio of 42 Westfield Living Centres comprises approximately 12,308 outlets across 3.9 million square meters of gross lettable area as of December 31, 2019. Our property management capabilities are strengthened by the scale, quality and geographic diversification of our portfolio across major cities in Australia and New Zealand, which, in our view, provides a unique platform to engage with our retailers, consumers and marketing partners. We believe that our portfolio attracts a superior mix of national and international retailers.
- ***Development, Design and Construction***—Our development capabilities include all elements of development, design, construction and project leasing for shopping centers in Australia and New Zealand.

  We focus on the redevelopment and expansion of our Westfield Living Centres to ensure they remain highly productive (by annual retail specialty sales per square meter), attract leading retailers and provide a high quality experience for consumers. Our most recent redevelopments showcase an innovative approach to design with an emphasis on integrating food, fashion, leisure and entertainment with the latest digital and other emerging technology, including the portfolio wide deployment of our Digital SmartScreen network, Westfield Plus mobile phone app and ticketless parking.

  Our projects under construction as of December 31, 2019 included the A$50 million (Scentre Group share: A$16 million) project at Westfield Carindale in Brisbane, Australia. We expect to complete this project in 2020. During 2019, we also commenced special projects, including the A$30 million (Scentre Group share: A$15 million) expansion and refurbishment of the level 2 dining precinct at Westfield Doncaster and the A$38 million (Scentre Group share: A$38 million) new format Myer and new specialty stores at Westfield Belconnen. At December 31, 2019, we had also started construction of a A$55 million (Scentre Group share: A$27.5 million) rooftop entertainment, leisure and dining precinct at Westfield Mt Druitt in Sydney, Australia. We have since deferred this project as a result of the impact of COVID-19.

  In 2019, we completed the NZ$790 million (Scentre Group share: NZ$400 million) redevelopment at Westfield Newmarket in Auckland, New Zealand, and the A$21 million (Scentre Group share: A$10.5 million) Bradley Street dining precinct at Westfield Woden in Canberra, Australia.

  In 2018, we completed a greenfield development at Westfield Coomera in the Gold Coast, Australia (A$470 million) and redevelopments at Westfield Carousel in Perth, Australia (A$350 million), Westfield Plenty Valley in Melbourne, Australia (A$80 million), Westfield Kotara in Newcastle, Australia (A$160 million) and Westfield Tea Tree Plaza in Adelaide, Australia (A$50 million), adding more than 106,000 square meters of GLA.

In 2017, we completed the redevelopment at Westfield Chermside in Brisbane, Australia (A$355 million) and the redevelopment at Westfield Whitford City in Perth, Australia (A$80 million).

We intend to continue investing limited capital and resources in pre-development work on a number of our Westfield Living Centres with strategic development opportunities as we believe they are located in strong, underserved markets with prime opportunities for market share gains through redevelopment and expansion, including nearer term opportunities at Westfield Knox in Melbourne, Australia and Market Street in Sydney, Australia. We are currently undertaking pre-development activity on future development opportunities with an estimated value in excess of A$3.0 billion. In addition, we have potential opportunities for alternative use developments in excess of A$1.5 billion, which may include office, educational and residential projects.

Any decision on the commencement or ongoing capital expenditure on development activity of the above Westfield Living Centres will depend on the feasibility of those projects in the context of the economic environment at the relevant time. As a result of the COVID-19 pandemic, we are reviewing the timeline of our pending redevelopments. See "Summary—Recent Developments—COVID-19."

- ***Fund and Asset Management***—We derive income from funds management activities, including through an annual manager's service fee from Carindale Property Trust and an annual arranger fee under the terms of property-linked notes over certain of our properties.

  Carindale Property Trust is a single asset trust which owns a 50% interest in Westfield Carindale. On February 23, 2016, we announced our intention to increase our investment in Carindale Property Trust subject to prevailing market conditions and the "creep provisions" of the Australian Corporations Act. Between February 23, 2016 and December 31, 2019, we increased our stake from 50.00% to 62.58% of the units of Carindale Property Trust, representing a 31.29% indirect interest in Westfield Carindale.

  We established the property-linked notes in 2006. These notes were designed to provide the holders with returns based on the economic performance of certain Australian super regional Westfield Living Centres: Westfield Parramatta and Westfield Hornsby in New South Wales and Westfield Southland in Victoria. The property-linked notes may be redeemed on their review dates (Westfield Parramatta, December 31, 2021, Westfield Southland, December 31, 2022 and Westfield Hornsby, December 31, 2023). On redemption, the obligation to repay the property-linked notes can, in certain circumstances, be satisfied by the transfer of interests in the underlying properties to the noteholders. Under the terms of the property-linked notes, we receive an annual arranger fee for arranging the issue of the property-linked notes. The fair value of the property-linked notes outstanding was A$689.0 million as of December 31, 2019. See "Operating and Financial Review—Liquidity and Capital Resources—Gearing Policy and Debt Facilities."

Our total assets under management are valued at A$56.0 billion as of December 31, 2019. This figure includes A$17.8 billion of external assets under management, as well as construction in progress and assets held for redevelopment.

As of December 31, 2019, on a consolidated basis, we had secured borrowings of A$265.5 million and unsecured borrowings of A$13.5 billion, with A$1.6 billion available to be drawn down under undrawn, predominantly long term, unsecured committed bank facilities. We have since obtained A$1.9 billion in additional unsecured bank facilities that increased our available liquidity position to A$3.1 billion as of April 1, 2020. The additional facilities have a two-year duration and this will provide us with further funding flexibility over the coming period. See "Summary—Recent Developments—Liquidity Management." As of December 31, 2019, our leverage ratio, calculated in accordance with the leverage ratio covenant of Net Debt to Net Assets to be contained, and as those terms will be defined, in the indenture that will govern the Notes was 33.9%.

Key Components of Our Financial Results and Their Drivers

In this section, we discuss the key components of our revenue and expenses and discuss the internal and external factors that affect our results.

Property Revenue and Property Expenses, Outgoings and Other Costs—We derive the majority of our revenue from leases with retail tenants at our Westfield Living Centres. Property revenue includes minimum base rents, cart and kiosk rentals, expense recoveries and percentage rent based on tenants' sales volumes. Property expenses and outgoings consist of costs in connection with the ownership and operation of retail shopping centers such as property rates and taxes, repairs and maintenance, cleaning, security, advertising and promotions, insurance, utilities and leasing expenses. A significant portion of these expenses and outgoings are recovered from our tenants. Key factors that affect the level of property revenue and property expenses and outgoings include: (i) our ability to negotiate higher minimum base rents from existing or new tenants; (ii) our ability to lease our Westfield Living Centres at near full or full occupancy; and (iii) our level of acquisitions and dispositions as well as the level of development and redevelopment of our existing Westfield Living Centres, which changes the size and nature of our property portfolio. We refer to the excess of property revenue over property expenses and outgoings as "Net Property Income" (refer also to "Net Property Income and Comparable Net Property Income" under "Key Operational Measures" below).

Property Revaluations—Our investment properties include freehold and leasehold land, buildings, leasehold improvements and redevelopment and development projects. In accordance with AAS, we carry our property investments on our balance sheet at their fair market values. At each reporting date, our board of directors assesses the carrying value of our investment property portfolio, and where the carrying value differs materially from the board of directors' assessment of fair value, we record an adjustment to the carrying value as appropriate. The board of directors' assessment of fair value of each Westfield Living Centre takes into account the latest independent valuations, with updates taking into account any changes in capitalization rate, underlying income and valuations of comparable centers. Investment properties undergoing redevelopment are independently valued on completion. The independent valuations are conducted using two methods—the "capitalization of net income" method and/or the "discounting of future cash flows to their present value" method. See "Critical Accounting Policies—Investment Properties" below.

The "capitalization of net income" method involves directly capitalizing stabilized net income based on the yields (calculated as the ratio of net income to sale price) produced by sales of comparable property investments, which we refer to as "capitalization rates," and subtracting an amount equal to the forecast capital expenditure for the property for a one to three year period.

In a simplistic example, if the stabilized net income for a property was A$10.0 million, the capitalization rate was 5.0% and forecast capital expenditure for the next one to three years was A$2.0 million, then the fair value of this property would be A$198.0 million, i.e., A$10.0 million divided by 5.0% less A$2.0 million of forecast capital expenditure for the next one to three years.

To determine stabilized net income, valuers adjust the budgeted net income for the next 12 months from the valuation date to incorporate: (i) adjustments to the rental revenues achieved as of the valuation date for any expiring tenancies that will occur within the next year, thereby taking into account the opportunity (or risk) of adjusting these revenues to the current market conditions; (ii) adjustments to take into account vacancy allowances; and (iii) adjustments to the level of tenant allowances that have been forecast to be spent during the period.

Factors that affect capitalization rates include:

- the underlying financial and operational performance of the property and comparable properties;
- the general economic conditions in the areas where the comparable properties are located;
- the level of competition in the trade area that the comparable properties are located; and
- availability of funding.

Capitalization rates are a useful tool for identifying industry wide conditions. Rising capitalization rates may indicate higher initial property yields due to rising rents, falling property prices or both. In addition to capitalization rates, property revaluations may be affected by the size of our development and redevelopment program.

The discounting of future cash flows approach involves calculating the present value of estimated future net cash flows (i.e., property receipts less property payments and an assumed end of period sale) over a ten-year period discounted at an appropriate risk adjusted rate.

Because our investment properties are carried at fair value on our balance sheet, changes in the fair market value of our investment properties from period to period may result in significant non-cash gains or write-downs, resulting in significant periodic fluctuations in our reported income statements. The property valuations contained in "Business Description—Operations—Australian Property Information" and "Business Description—Operations—New Zealand Property Information" are as of December 31, 2019, and, as such, are based on the property market and cash flow forecasts as of that date. At that date, the full impact of the COVID-19 pandemic was not taken into account in the valuation of our Westfield Living Centres. For more information regarding the impacts of COVID-19, see "Summary—Recent Developments—COVID-19" and "Risk Factors—The global outbreak of the novel coronavirus (COVID-19) has, and will continue to adversely affect our tenants' financial condition and the profitability and value of our properties." As of the date of this offering memorandum, it is not known what impact the COVID-19 pandemic may have on the fair value of our Westfield Living Centres.

Property Development and Construction Revenue and Property Development and Construction Costs—Our development and redevelopment program is one of our primary drivers for sustained long term earnings growth. We incur costs to develop and manage projects at our properties and earn revenue from our joint venture partners for property development and construction services we provide at jointly-owned properties that we are developing. The key driver for property development and construction revenue and costs is the level of development activity we undertake at jointly-owned properties for which we derive income from our joint venture partners. As the number of joint ventures and jointly-owned properties within our property portfolio increases, we would expect our property development and construction revenue and costs to increase. In addition, we also develop and manage projects on behalf of third parties and incur costs and earn property development and construction revenue for services provided.

Property and Funds Management Income and Property and Funds Management Costs—We manage certain assets on behalf of institutions and other investors for which we receive management fees. The income and costs that we record relate to the third parties' share of the costs of managing these joint venture properties. These fees are affected by the number of joint venture Westfield Living Centres we hold, the level of development activity with our joint venture partners and the gross income generated by our properties. As the number of joint ventures across our property portfolio increases, we would expect our property and funds management income and costs to increase.

Property Acquisitions and Divestments—We acquire properties that satisfy our investment criteria, which are described under "Business Description—Policies and Objectives With Respect to Investments, Financing and Other Activities—Investment Objectives and Policies," and divest or joint venture assets that no longer meet our investment criteria. These acquisitions can take the form of a direct property acquisition or the acquisition of investment vehicles.

Interest Including Mark-to-Market—Our interest rate hedging reflects our objectives for the overall business and our financial goals, including financial covenant compliance and management of the impact of interest rate movements on our earnings. We actively hedge our interest rate exposure on our borrowings and investments on a portfolio basis using a combination of fixed rate debt and derivative financial instruments. For details of our interest rate hedging profile, see "Quantitative and Qualitative Disclosures About Market Risk" below.

We do not enter into derivative financial instruments for speculative purposes and our hedging policies are approved and monitored by our board. We enter into derivative financial instruments to achieve economic outcomes in line with our treasury policy. Accounting standards under AAS include documentation, designation

and effectiveness requirements before a derivative financial instrument can qualify for hedge accounting treatment. The documentation, designation and effectiveness requirements cannot be met in all circumstances. As a result, all derivative financial instruments, other than any currency derivatives that hedge investments in foreign operations, do not qualify for hedge accounting and changes in fair value are recorded in the income statement. As a consequence, we may have large movements in interest expense due to changes in the mark-to-market valuations of our interest rate derivatives. The accounting treatment of derivative financial instruments and the impact on our financial results are more fully described below under "Critical Accounting Policies—Derivative and other financial instruments."

Key Operational Measures

We use a number of non-AAS measures to assess the financial and operational performance of our properties. The key measures are:

Funds from Operations—Funds from Operations ("FFO") is a widely recognized measure of the performance of real estate investment groups by the property industry and we believe it is a useful supplemental measure of operating performance.

The National Association of Real Estate Investment Trusts, a U.S. based representative body for publicly traded real estate companies with an interest in U.S. real estate and capital markets, defines FFO as net income (computed in accordance with U.S. GAAP), excluding (i) depreciation and amortization related to real estate, (ii) gains and losses from the sale of certain real estate assets, (iii) gains and losses from change in control and (iv) impairment write-downs of certain real estate assets and investments in entities when the impairment is directly attributable to decreases in the value of depreciable real estate held by the entity. These reconciling items include amounts to adjust earnings from consolidated partially-owned entities and equity in earnings of unconsolidated affiliates to FFO. Our measure of FFO is based upon this definition, adjusted to reflect our profit after tax and non-controlling interests reported in accordance with AAS and IFRS.

In calculating our FFO, property revaluations of consolidated and equity accounted property investments, unrealized currency gains/losses, exchange differences on realization of net investment in foreign operations, net fair value gains or losses on interest rate derivatives and other financial liabilities, net modification gains or losses on refinanced borrowing facilities, deferred tax, gains/losses from capital transactions and amortization of tenant allowances are excluded from the reported profit after tax and non-controlling interests.

Operating Earnings—Operating Earnings is FFO excluding project income after associated taxes.

Our management uses FFO and Operating Earnings as key measures of the underlying performance of our business operations. However, FFO and Operating Earnings should not be considered to be an indication of, or alternative to, measures of profitability or cash flow determined in accordance with AAS and IFRS. In addition, our computation of FFO and Operating Earnings may be different to FFO and Operating Earnings presented by other companies.

The table below shows our FFO for the years ended December 31, 2019, 2018 and 2017.

	Year Ended December 31,		
	2019	2018	2017
		(in millions)	
Net property income	A$1,925.5	A$1,900.8	A$1,848.6
Management income	48.7	46.1	45.4
FFO income	1,974.2	1,946.9	1,894.0
Overheads	(88.1)	(85.9)	(88.6)
FFO earnings before interest and tax	1,886.1	1,861.0	1,805.4
Net interest(1)	(510.0)	(499.4)	(481.9)
FFO earnings before tax	1,376.1	1,361.6	1,323.5
Tax expense	(44.2)	(35.0)	(41.6)
Minority interest(2)	(44.5)	(46.8)	(47.8)
Operating Earnings	**1,287.4**	**1,279.8**	**1,234.1**
Project income	80.9	85.3	80.1
Tax on project income	(23.7)	(25.6)	(24.0)
Project income after tax	57.2	59.7	56.1
FFO attributable to members of Scentre Group	**A$1,344.6**	**A$1,339.5**	**A$1,290.2**

(1) Net interest comprises interest income and financing costs (excluding the fair value gain or loss on interest rate derivatives and other financial liabilities, net modification gain or loss on refinanced borrowing facilities and interest expense on other financial liabilities).

(2) Minority interest comprises FFO attributable to non-controlling interests and interest expense on other financial liabilities.

The table below is a reconciliation of profit after tax to FFO:

	Year Ended December 31,		
	2019	2018	2017
		(in millions)	
Profit after tax attributable to members of Scentre Group	A$1,179.5	A$ 2,287.2	A$ 4,217.9
Property revaluations	151.9	(1,147.7)	(3,216.8)
Amortization of tenant allowances	77.1	67.8	53.8
Net fair value loss/(gain) and associated credit risk on currency derivatives that do not qualify for hedge accounting	(15.4)	30.4	(5.6)
Exchange differences (including amounts transferred from foreign currency translation reserve) on realization of net investment in foreign operations	—	(0.7)	(0.8)
Net fair value loss on interest rate derivatives that do not qualify for hedge accounting	84.3	133.6	158.4
Net modification gain on refinanced borrowing facilities	(2.8)	(9.9)	—
Net fair value loss/(gain) on other financial liabilities	(7.9)	23.2	77.8
Gain in respect of capital transactions	(120.6)	(40.1)	—
Deferred tax expense/(benefit)	0.4	(1.8)	4.8
FFO adjustments attributable to external non-controlling interests	(1.9)	(2.5)	(0.7)
FFO attributable to members of Scentre Group	**A$1,344.6**	**A$ 1,339.5**	**A$ 1,290.2**

Net Property Income and Comparable Net Property Income—Net Property Income measures the rental revenue from our Westfield Living Centres less the expenses in operating those Westfield Living Centres, including our share of rental revenues less expenses in operating our equity accounted Westfield Living Centres.

Comparable Net Property Income is the equivalent measure on a same shopping center basis (i.e., excluding shopping centers that became operational or are impacted by redevelopment activities or were sold during the comparative prior period and any abnormal items), measured in local currency. Our management uses Net Property Income as a measure of the underlying operational performance of our property assets, without regard to our capital structure, our tax position and the real estate value of our Westfield Living Centres. Net Property Income is also a key measure used by valuers in determining the valuation of our Westfield Living Centres.

Under AAS, property investments held in joint venture sub-trusts and associates are equity accounted (with revenues and expenses and assets and liabilities disclosed on a net basis). We consolidate investments in subsidiaries and our proportionate interest in direct property investments (in each case, revenues and expenses and assets and liabilities are disclosed on a gross basis).

In addition to presenting Net Property Income calculated on the foregoing basis we also discuss Net Property Income on a "proportionate" basis. The proportionate basis presents the net income from, and net investment in, equity accounted properties on a gross basis, whereby the underlying components of net income and net investment are disclosed separately as if they were revenues and expenses, and assets and liabilities of Scentre Group.

Our management considers that, given that the assets underlying both the consolidated and the equity accounted components of the statutory income statement are similar (that is, retail shopping centers), all centers are under common management, and that, therefore, the drivers of their results are similar, proportionate Net Property Income provides a more useful way to understand the performance of the portfolio as a whole. This is because the proportionate format aggregates both revenue and expense items across the whole portfolio, rather than netting the income and expense items for equity accounted centers and only reflecting their performance as a single item of profit or loss, as AAS requires. This allows management to observe and analyze revenue and expense results and trends on a portfolio-wide basis.

Footnote 1 to the income statement data included above in "Selected Consolidated Financial Data" shows Net Property Income on a proportionate basis.

Gross Lettable Area (GLA)—this generally measures the amount of space in our Westfield Living Centres that we can lease to tenants, expressed in square meters. In Australia and New Zealand, GLA includes the space leased, or available for lease, to anchor tenants.

Leased Rate—this measures the percentage of total GLA that is leased at a point in time. In Australia and New Zealand, anchors typically lease their stores and, therefore, the calculation of leased rate includes anchor GLA together with specialty shops but excludes sites which are development impacted.

Average Specialty Shop Rent—this measures the average rent (excluding any portion that relates to a reimbursement of expenses) we earn per square meter of space that we lease to specialty shop (less than 400 square meters) retailers in our Westfield Living Centres during the period. This excludes anchor tenants and specialty stores over 400 square meters.

Same Specialty Store/Shop Sales Growth—this measures the period-on-period change in the sales of the specialty stores in our Westfield Living Centres. Because it measures the sales of the retailers, it is not a measure of revenue that we expect to earn, except to the limited extent that certain of our lease agreements entitle us to a percentage of our tenants' revenue. However, it is an indirect measure of the performance of our business because higher sales at our Westfield Living Centres will generally correlate over time with higher demand for retail space in the Westfield Living Centres, resulting in higher leased rates and/or higher rents.

We provide data on GLA, leased rates, average specialty shop rents and same specialty store/shop sales growth with respect to our shopping center portfolio (including part-owned centers on a 100% basis) on a geographical basis below under "Business Description."

Taxation

Scentre Group comprises taxable and non-taxable entities. Income tax expense is only recognized in respect of taxable entities.

SGL and its Australian resident wholly owned subsidiaries have formed a tax consolidated group. SGL has entered into tax funding arrangements with its Australian resident wholly owned subsidiaries, pursuant to which each subsidiary has agreed to pay or receive a tax equivalent amount based on the net taxable amount or loss of the subsidiary at the current tax rate. The tax consolidated group has applied the modified separate taxpayer approach in determining the appropriate amount of current taxes to allocate to each entity.

SGT1 and SGT2 have elected into the AMIT regime with effect from January 1, 2019 for Australian taxation purposes. Accordingly, under the AMIT regime the trusts will not be liable for Australian income tax provided that the taxable income of each trust is attributed to members within three months of the end of the year of income. The members of each trust are taxable on their share of the taxable income of each trust attributed to them.

SGT3 is treated as a company for Australian tax purposes and, accordingly, is a taxable entity, subject to the corporate tax rate of 30%.

Scentre Group's New Zealand resident entities are subject to New Zealand tax at the corporate tax rate of 28%.

Seasonality

Our results are not significantly affected by seasonality. This is because rent at our Westfield Living Centres is generally not connected with the level of sales, and with near full occupancy levels in Australia and New Zealand throughout the year, there is little seasonal effect on rentals over the Christmas period.

Inflation

Inflation can impact our operations through its effect on costs and hence the profitability and performance of individual Westfield Living Centres. A decline in the overall performance of our Westfield Living Centres due to inflation can potentially reduce our real earnings as well as impact our management fees.

However, substantially all of our retailers' leases contain provisions designed to lessen the impact of inflation on our results. Such provisions include clauses enabling us to receive periodic index based contractual rent increases during the term of the lease or, to a much lesser extent, percentage rents based on retailer's gross sales, which generally increase as prices rise, or both. Substantially all of the leases require the retailers to pay a proportionate share of operating expenses, including common area maintenance, real estate taxes and insurance, reducing our exposure to increases in costs and operating expenses resulting from inflation.

Inflation may have a negative effect on some of our other operating items. Interest costs and general and administrative expenses may be adversely affected by inflation as these costs could increase at a rate higher than rents. We enter into interest rate swap contracts and fixed rate debt as a means of reducing our exposure to fluctuations in interest rates.

Results of Operations

Our discussion and analysis of our financial performance for the year ended December 31, 2019 compared to the year ended December 31, 2018, and for the year ended December 31, 2018 compared to the year ended December 31, 2017, is based on the audited Scentre Group financial statements for the years ended December 31, 2019, 2018 and 2017.

Our activities expose us to changes in interest rates and foreign exchange rates. We have policies and limits in respect of the use of derivative and other financial instruments to hedge cash flows subject to interest rate and currency risks. We have a comprehensive hedging program that is used to manage interest rate and foreign exchange rate risk. We do not enter into derivatives for speculative purposes and our hedging policies are approved and monitored by our board.

Our foreign currency denominated revenue and expenses, including interest expense, for the years ended December 31, 2019, 2018 and 2017 were translated to A$ at the following average exchange rates:

	A$	NZ$
Year Ended		
December 31, 2019	1.0000	1.0553
December 31, 2018	1.0000	1.0800
December 31, 2017	1.0000	1.0789

Comparison of the Year Ended December 31, 2019 to the Year Ended December 31, 2018

Net Profit/(Loss) After Tax. Net profit after tax decreased by A$1,108.3 million or 48.3%, from A$2,295.9 million for the year ended December 31, 2018 to A$1,187.6 million for the year ended December 31, 2019. The decrease was mainly due to decreases in property revaluations, partially offset by increases in gain in respect of capital transactions, increases in gains on currency derivatives and decreases in financing costs.

Proportionate property revaluation decreased by A$1,299.6 million or 113.2%, from a gain of A$1,147.7 million for the year ended December 31, 2018 to a loss of A$151.9 million for the year ended December 31, 2019. The decrease was mainly due to the difference in the weighted average capitalization rates of our property portfolio.

Gain in respect of capital transactions increased by A$80.5 million or 200.7% from A$40.1 million for the year ended December 31, 2018 (mainly from the disposal of land holdings) to A$120.6 million for the year ended December 31, 2019 (mainly from the sale of the Sydney Central Business District office towers and 50% interest in Westfield Burwood).

Currency derivatives increased by A$45.1 million or 151.9%, from a loss of A$29.7 million for the year ended December 31, 2018 to a gain of A$15.4 million for the year ended December 31, 2019. The change was mainly due to movements in the net fair value and associated credit risk on currency derivatives of A$45.8 million, from a loss of A$30.4 million for the year ended December 31, 2018 to a gain of A$15.4 million for the year ended December 31, 2019.

Financing costs decreased by A$62.3 million or 9.1%, from A$685.1 million for the year ended December 31, 2018 to A$622.8 million for the year ended December 31, 2019. This decrease was mainly due to movements in the fair value of interest rate derivatives of A$49.3 million from a loss of A$133.6 million for the year ended December 31, 2018 to a loss of A$84.3 million for the year ended December 31, 2019, movements in the net fair value of other financial liabilities of A$31.1 million from a loss of A$23.2 million for the year ended December 31, 2018 to a gain of A$7.9 million for the year ended December 31, 2019 and a decrease in gross financing costs (excluding net fair value gain or loss on interest rate hedges that do not qualify for hedge accounting) of A$11.5 million from A$543.3 million for the year ended December 31, 2018 to A$531.8 million for the year ended December 31, 2019. These decreases in financing costs were partially offset by a decrease in financing costs capitalized to qualifying development projects and construction in progress of A$21.4 million from A$43.0 million for the year ended December 31, 2018 to A$21.6 million for the year ended December 31, 2019 and a decrease in net modification gain on refinanced borrowing facilities of A$7.1 million from A$9.9 million for the year ended December 31, 2018 to A$2.8 million for the year ended December 31, 2019.

Our FFO increased by A$5.1 million or 0.4%, from A$1,339.5 million for the year ended December 31, 2018 to A$1,344.6 million for the year ended December 31, 2019. Earnings before interest and tax on an FFO basis increased by A$25.1 million or 1.3%, from A$1,861.0 million for the year ended December 31, 2018 to A$1,886.1 million for the year ended December 31, 2019. This increase was primarily attributable to an increase in Net Property Income. Net interest on an FFO basis increased by A$10.6 million or 2.1%, from A$499.4 million for the year ended December 31, 2018 to A$510.0 million for the year ended December 31, 2019. This increase was mainly due to a decrease in interest capitalized of A$21.4 million from A$43.0 million for the year ended December 31, 2018 to A$21.6 million for the year ended December 31, 2019, partially offset by a decrease in gross financing costs (excluding net fair value gain or loss on interest rate hedges that do not qualify for hedge accounting) of A$11.5 million from A$543.4 million for the year ended December 31, 2018 to A$531.9 million for the year ended December 31, 2019 as a result of lower interest rates on our borrowings. Tax expense on an FFO basis (excluding tax on project income) increased by A$9.2 million or 26.2%, from A$35.0 million for the year ended December 31, 2018 to A$44.2 million for the year ended December 31, 2019. This increase was mainly due to the impact of non-deductible expenses in relation to the transfer of Scentre Group securities to employees in settlement of their vesting staff awards as well as the increase in property and funds management income. Project income after tax on an FFO basis decreased by A$2.5 million or 4.2% from A$59.7 million for the year ended December 31, 2018 to A$57.2 million for the year ended December 31, 2019. Our income, expenses and FFO are also affected by fluctuations in the New Zealand dollar exchange rates. The movement in the average rates used to translate our New Zealand dollar denominated revenues and expenses are set out above. Our New Zealand dollar denominated Net Property Income is partially hedged by interest expense on borrowings denominated in the same currency.

Property Revenue and Property Expenses, Outgoings and Other Costs. Consolidated property revenue increased by A$11.7 million or 0.5%, from A$2,149.2 million for the year ended December 31, 2018 to A$2,160.9 million for the year ended December 31, 2019. Consolidated property expenses, outgoings and other costs remained flat at A$476.3 million for the years ended December 31, 2018 and 2019. Consequently, consolidated Net Property Income increased by A$11.7 million or 0.7%, from A$1,672.9 million for the year ended December 31, 2018 to A$1,684.6 million for the year ended December 31, 2019. This increase was primarily due to growth in specialty shop rental rates and contracted annual rent escalations which contributed to the overall increase in Comparable Net Property Income growth for Australia and New Zealand of 2% for the year ended December 31, 2019, the impact of Net Property Income growth from completed developments and the acquisition of our 50% interest in Westfield Eastgardens in July 2018. This increase was partially offset by the impact of lost rent from development projects and the sale of the Sydney Central Business District office towers and 50% interest in Westfield Burwood in 2019.

On a proportionate basis, property revenue increased by A$19.8 million or 0.8%, from A$2,358.4 million for the year ended December 31, 2018 to A$2,378.2 million for the year ended December 31, 2019. Proportionate property expenses, outgoings and other costs increased by A$4.4 million or 0.8%, from A$525.4 million for the year ended December 31, 2018 to A$529.8 million for the year ended December 31, 2019. Consequently, proportionate Net Property Income increased by A$15.4 million or 0.8%, from A$1,833.0 million for the year ended December 31, 2018 to A$1,848.4 million for the year ended December 31, 2019. This increase was primarily driven by growth in specialty shop rental rates and contracted annual rent escalations which contributed to the overall increase in Comparable Net Property Income growth for Australia and New Zealand of 2% for the year ended December 31, 2019, the impact of Net Property Income growth from completed developments and the acquisition of our 50% interest in Westfield Eastgardens in July 2018. This increase was partially offset by the impact of lost rent from development projects and the sale of the Sydney Central Business District office towers and 50% interest in Westfield Burwood in 2019.

Our proportionate Net Property Income for the year ended December 31, 2019 compared to the year ended December 31, 2018 on a geographic basis is described below.

- ***Australia***—Our Australian operations contributed proportionate Net Property Income of A$1,767.5 million for the year ended December 31, 2019 compared to A$1,752.9 million for the year

ended December 31, 2018, an increase of A$14.6 million or 0.8%. This increase was primarily due to growth in specialty shop rental rates and contracted annual rent escalations which contributed to the overall increase in Comparable Net Property Income growth for Australia for the year ended December 31, 2019, the impact of Net Property Income growth from completed developments and the acquisition of our 50% interest in Westfield Eastgardens in July 2018. Completed redevelopments included the A$21.0 million Bradley Street dining precinct at Westfield Woden in Canberra completed in 2019, the Westfield Carousel in Perth, Westfield Kotara in Newcastle, Plenty Valley in Melbourne, Tea Tree Plaza in Adelaide and Westfield Coomera greenfield development in the Gold Coast, each of which were completed in 2018. This increase was partially offset by the impact of lost rent from development projects and the sale of the Sydney Central Business District office towers and our 50% interest in Westfield Burwood in 2019. See "Business Description—Operating Data" for further information with respect to the movements in our leased rates and average specialty shop rental rates as well as other operational statistics as of and for the years ended December 31, 2019 and December 31, 2018.

- ***New Zealand***—Our New Zealand operations contributed proportionate Net Property Income of A$80.9 million for the year ended December 31, 2019 compared to A$80.1 million for the year ended December 31, 2018, an increase of A$0.8 million or 1%. We completed the development at Westfield Newmarket in Auckland in the last quarter 2019. Growth in specialty shop rental rates and contracted annual rent escalations contributed to the overall increase in Comparable Net Property Income growth for New Zealand for the year ended December 31, 2019. See "Business Description—Operating Data" for further information with respect to the movements in our leased rates and average specialty shop rental rates as well as other operational statistics as of and for the years ended December 31, 2019 and December 31, 2018.

Shopping center arrears for our portfolio for the year ended December 31, 2019 was approximately 1.0% of annual billings compared to approximately 1.3% for the year ended December 31, 2018.

Property Revaluations. Property revaluation gains (excluding our share of the property revaluations of equity accounted entities) decreased by A$1,179.8 million or 111.2%, from a gain of A$1,060.5 million for the year ended December 31, 2018 to a loss of A$119.3 million for the year ended December 31, 2019. This was primarily due to the difference in the weighted average capitalization rates of our property portfolio between December 31, 2019 and 2018 and between December 31, 2018 and 2017, each as described below, partially offset by changes in Comparable Net Property Income growth rates.

As of December 31, 2019, the weighted average capitalization rate of the property portfolio (including both consolidated properties and our share of equity accounted properties) was 4.67% in Australia and 5.92% in New Zealand. As of December 31, 2018, the weighted average capitalization rate of the property portfolio (including both consolidated properties and our share of equity accounted properties) was 4.71% in Australia and 6.24% in New Zealand. As of December 31, 2017, the weighted average capitalization rate of the property portfolio (including both consolidated properties and our share of equity accounted properties) was 4.86% in Australia and 6.39% in New Zealand.

Share of After Tax Profits of Equity Accounted Entities. Our share of the after tax profits of equity accounted entities decreased by A$115.0 million or 49%, from A$234.9 million for the year ended December 31, 2018 to A$119.9 million for the year ended December 31, 2019. This decrease was primarily due to a reduction in property revaluation gains partially offset by growth in Net Property Income for equity accounted entities.

Property revaluation gains for equity accounted entities decreased by A$119.8 million or 137.4%, from a gain of A$87.2 million for the year ended December 31, 2018 to a loss of A$32.6 million for the year ended December 31, 2019.

Net Property Income for equity accounted entities increased by A$3.7 million or 2.3%, from A$160.1 million for the year ended December 31, 2018 to A$163.8 million for the year ended December 31,

2019. This increase was primarily due to growth in specialty shop rental rates and contracted annual rent escalations which contributed to the overall increase in Comparable Net Property Income growth for Australia and New Zealand of 2% and the impact of Net Property Income growth from the completed development at Newmarket in Auckland in the last quarter of 2019.

Property Development and Construction Revenue and Costs. Property development and construction revenue derived from properties owned under joint venture or co-ownership arrangements and third-party projects decreased by A$32.9 million or 7.7%, from A$429.7 million for the year ended December 31, 2018 to A$396.8 million for the year ended December 31, 2019. Property development and construction costs for such properties decreased by A$28.5 million or 8.3%, from A$344.4 million for the year ended December 31, 2018 to A$315.9 million for the year ended December 31, 2019. The decreases in property development and construction revenue and costs were primarily due to the timing of project completions and commencements. Consequently, net property development and construction income derived from properties owned under joint venture or co-ownership arrangements and third-party projects decreased by A$4.4 million or 5.2%, from A$85.3 million for the year ended December 31, 2018 to A$80.9 million for the year ended December 31, 2019.

Property and Funds Management Income and Property and Funds Management Costs. Property and funds management income from assets managed on behalf of institutions and other investors increased by A$2.5 million or 4.4%, from A$56.2 million for the year ended December 31, 2018 to A$58.7 million for the year ended December 31, 2019. Property and funds management costs relating to such assets decreased by A$0.1 million or 1%, from A$10.1 million for the year ended December 31, 2018 to A$10.0 million for the year ended December 31, 2019. Consequently, net property and funds management income on account of assets managed on behalf of institutions and other investors increased by A$2.6 million or 5.6%, from A$46.1 million for the year ended December 31, 2018 to A$48.7 million for the year ended December 31, 2019.

Currency Derivatives. Our gain on currency derivatives increased by A$45.1 million from a loss of A$29.7 million for the year ended December 31, 2018 to a gain of A$15.4 million for the year ended December 31, 2019. The change was mainly due to movements in the net fair value and associated credit risk on currency derivatives of A$45.8 million from a loss of A$30.4 million for the year ended December 31, 2018 to a gain of A$15.4 million for the year ended December 31, 2019.

Overheads. Overheads increased by A$2.2 million or 2.6%, from A$85.9 million for the year ended December 31, 2018 to A$88.1 million for the year ended December 31, 2019.

Net Gain/(Loss) from Capital Transactions. Gains from capital transactions increased by A$80.5 million or 200.7%, from A$40.1 million for the year ended December 31, 2018 to A$120.6 million for the year ended December 31, 2019. Gains from capital transactions of A$40.1 million for the year ended December 31, 2018, were mainly from the disposal of land holdings partially offset by other capital costs. Gains from capital transactions of A$120.6 million for the year ended December 31, 2019 were mainly from the divestment of our Sydney Central Business District office towers and the 50% joint venture of Westfield Burwood, both of which settled in June 2019.

Financing Costs. Financing costs (including net fair value gain or loss on interest rate derivatives and other financial liabilities and net modification gain or loss on refinanced borrowing facilities) decreased by A$62.3 million or 9.1%, from A$685.1 million for the year ended December 31, 2018 to A$622.8 million for the year ended December 31, 2019.

Excluding the impact of the fair value gain or loss on interest rate derivatives and other financial liabilities and net modification gain or loss on refinanced borrowing facilities, our underlying financing costs increased by A$11.0 million or 2%, from A$538.2 million for the year ended December 31, 2018 to A$549.2 million for the year ended December 31, 2019. This increase was primarily attributable to a reduction in interest capitalized of A$21.4 million partially offset by a reduction in gross financing costs of A$11.5 million from A$543.3 million

for the year ended December 31, 2018 to A$531.8 million for the year ended December 31, 2019 as a result of lower interest rates on our borrowings.

We recognized a net fair value loss on our interest rate derivatives of A$133.6 million for the year ended December 31, 2018 compared to a loss of A$84.3 million for the year ended December 31, 2019, a decrease of A$49.3 million, due to movements in market rates. The fair value movement on other financial liabilities decreased by A$31.1 million or 134.1%, from a loss of A$23.2 million for the year ended December 31, 2018 to a gain of A$7.9 million for the year ended December 31, 2019, which is in line with the movement in the fair value of properties linked to our property-linked notes.

Tax Benefit/(Expense). Tax expense increased by A$10.6 million or 22.9%, from A$46.3 million for the year ended December 31, 2018 to A$56.9 million for the year ended December 31, 2019. Tax expense from underlying operations increased by A$11.0 million or 21.6%, from A$51.0 million for the year ended December 31, 2018 to A$62.0 million for the year ended December 31, 2019. This increase was mainly due to the impact of non-deductible expenses in relation to the transfer of Scentre Group securities to employees in settlement of their vesting staff awards as well as the increase in property and funds management income. Deferred tax benefit increased A$0.4 million or 8.5%, from a deferred tax benefit of A$4.7 million for the year ended December 31, 2018 to a deferred tax benefit of A$5.1 million for the year ended December 31, 2019.

Acquisitions, Dispositions and Developments

Australia

In December 2019, we acquired a 50% interest in Garden City Booragoon shopping center in Perth, Australia, together with long-term property management, brand and development rights, for A$570 million from AMP Capital Diversified Property Fund. As part of the joint venture with AMP Capital Diversified Property Fund, the shopping center has been rebranded as Westfield Booragoon.

In May 2019, as part of a new joint venture, we sold a 50% interest in Westfield Burwood in Sydney, Australia to the Perron Group for A$575 million, which settled in June 2019.

In June 2019, we divested our Sydney Central Business District office towers to certain entities associated with Blackstone for A$1.52 billion. The divestment was effected by way of a 299-year leasehold interest granted to the Blackstone entities over the office components across three office blocks located at 100 Market Street, and 77 and 85 Castlereagh Street. The office blocks are on the same property title as our Westfield Sydney Living Centre. In order to enable the Blackstone entities to protect their leasehold in the event of our liquidation, we have granted the Blackstone entities security interests comprising a featherweight charge over certain trust assets (which secures a nominal sum) and a mortgage over the property title (which secures the amount of any loss the Blackstone entities would suffer if, in a liquidation of the Scentre Group lessors, the leases to the Blackstone entities were disclaimed by the liquidator). We refer to these security interests as the “Sydney Lien” in the indenture that will govern the Notes. Following the divestment, we continue to retain ownership of Westfield Sydney and Sydney Tower.

During the year ended December 31, 2019, we completed the A$21 million (Scentre Group share: A$10.5 million) Bradley Street dining precinct at Westfield Woden in Canberra, Australia.

Our projects under construction as of December 31, 2019 included the A$50 million (Scentre Group share: A$16 million) project at Westfield Carindale in Brisbane, Australia. We expect to complete this project in 2020. During 2019, we also commenced special projects, including the A$30 million (Scentre Group share: A$15 million) expansion and refurbishment of the level 2 dining precinct at Westfield Doncaster and the A$38 million (Scentre Group share: A$38 million) new format Myer and new specialty stores at Westfield Belconnen. At December 31, 2019, we had also started construction of a A$55 million (Scentre Group share: A$27.5 million) rooftop entertainment, leisure and dining precinct at Westfield Mt Druitt in Sydney, Australia. We have since deferred this project as a result of the impact of COVID-19.

New Zealand

During the year ended December 31, 2019, we completed the NZ$790 million (Scentre Group share: NZ$400 million) redevelopment at Westfield Newmarket in Auckland, New Zealand.

We did not make any significant acquisitions or dispositions in New Zealand during the year ended December 31, 2019.

Comparison of the Year Ended December 31, 2018 to the Year Ended December 31, 2017

Net Profit/(Loss) After Tax. Net profit after tax decreased by A$1,935.5 million or 45.7%, from A$4,231.4 million for the year ended December 31, 2017 to A$2,295.9 million for the year ended December 31, 2018. The decrease was mainly due to decreases in property revaluations, partially offset by increases in gains in respect of capital transactions, increases in Net Property Income and decreases in financing costs.

Proportionate property revaluation decreased by A$2,069.1 million or 64.3%, from A$3,216.8 million for the year ended December 31, 2017 to A$1,147.7 million for the year ended December 31, 2018. The decrease was mainly due to the difference in the weighted average capitalization rates of our property portfolio.

The gains from capital transactions of A$40.1 million for the year ended December 31, 2018 was mainly from the disposal of land holdings partially offset by other capital costs.

Proportionate Net Property Income increased by A$38.2 million or 2.1%, from A$1,794.8 million for the year ended December 31, 2017 to A$1,833.0 million for the year ended December 31, 2018. This increase was primarily due to the impact of growth in specialty shop rental rates and contracted annual rent escalations which contributed to the overall increase in Comparable Net Property Income growth for Australia and New Zealand of 2.5% for the year ended December 31, 2018, the impact of Net Property Income growth from completed developments and the acquisition of our 50% interest in Westfield Eastgardens in July 2018. This increase was partially offset by the impact of lost rent from development projects and asset sales including the sale of one wholly owned Australian Westfield Living Centre and one wholly owned New Zealand Westfield Living Centre in 2017.

Financing costs decreased by A$69.7 million or 9.2%, from A$754.8 million for the year ended December 31, 2017 to A$685.1 million for the year ended December 31, 2018. This decrease was mainly due to movements in the net fair value of other financial liabilities of A$54.6 million from a loss of A$77.8 million for the year ended December 31, 2017 to a loss of A$23.2 million for the year ended December 31, 2018, movements in the fair value of interest rate derivatives of A$24.8 million from a loss of A$158.4 million for the year ended December 31, 2017 to a loss of A$133.6 million for the year ended December 31, 2018 and an increase in finance costs capitalized of A$18.6 million from A$24.4 million for the year ended December 31, 2017 to A$43.0 million for the year ended December 31, 2018. This decrease in financing costs was partially offset by an increase in gross financing costs (excluding net fair value gain or loss on interest rate hedges that do not qualify for hedge accounting) of A$37.5 million from A$505.8 million for the year ended December 31, 2017 to A$543.3 million for the year ended December 31, 2018.

Our FFO increased by A$49.3 million or 3.8%, from A$1,290.2 million for the year ended December 31, 2017 to A$1,339.5 million for the year ended December 31, 2018. Earnings before interest and tax on an FFO basis increased by A$55.6 million or 3.1%, from A$1,805.4 million for the year ended December 31, 2017 to A$1,861.0 million for the year ended December 31, 2018. This increase was primarily attributable to increases in Net Property Income. Net financing costs on an FFO basis increased by A$17.5 million or 3.6%, from A$481.9 million for the year ended December 31, 2017 to A$499.4 million for the year ended December 31, 2018. This increase was mainly due to increases in gross financing costs (excluding net fair value gain or loss on interest rate hedges that do not qualify for hedge accounting) of A$35.8 million from A$507.6 million for the

year ended December 31, 2017 to A$543.4 million for the year ended December 31, 2018 as a result of an increase in our average net debt partially offset by an increase in interest capitalized of A$18.6 million from A$24.4 million for the year ended December 31, 2017 to A$43.0 million for the year ended December 31, 2018. Tax expense (excluding tax on project income) on an FFO basis decreased by A$6.6 million or 15.8%, from A$41.6 million for the year ended December 31, 2017 to A$35.0 million for the year ended December 31, 2018. This decrease was mainly due to the impact of the sale of Westfield WestCity in 2017 and lost rent from the redevelopment of Westfield Newmarket in 2018, both in New Zealand. Project income after tax on an FFO basis increased by A$3.6 million from A$56.1 million for the year ended December 31, 2017 to A$59.7 million for the year ended December 31, 2018. Our income, expenses and FFO are also affected by fluctuations in the New Zealand dollar exchange rates. The movement in the average rates used to translate our New Zealand dollar denominated revenues and expenses are set out above. Our New Zealand dollar denominated Net Property Income is partially hedged by interest expense on borrowings denominated in the same currency.

Property Revenue and Property Expenses, Outgoings and Other Costs. Consolidated property revenue increased by A$50.9 million or 2.4%, from A$2,098.3 million for the year ended December 31, 2017 to A$2,149.2 million for the year ended December 31, 2018. Consolidated property expenses, outgoings and other costs increased by A$10.5 million or 2.3%, from A$465.8 million for the year ended December 31, 2017 to A$476.3 million for the year ended December 31, 2018. Consequently, consolidated Net Property Income increased by A$40.4 million or 2.5%, from A$1,632.5 million for the year ended December 31, 2017 to A$1,672.9 million for the year ended December 31, 2018. This increase was primarily due to growth in specialty shop rental rates and contracted annual rent escalations which contributed to the overall increase in Comparable Net Property Income growth for Australia and New Zealand of 2.5% for the year ended December 31, 2018, the impact of Net Property Income growth from completed developments and the acquisition of our 50% interest in Westfield Eastgardens in July 2018. This increase was partially offset by the impact of lost rent from development projects and asset sales including the sale of one wholly owned Australian Westfield Living Centre and one wholly owned New Zealand Westfield Living Centre in 2017.

On a proportionate basis, property revenue increased by A$47.4 million or 2.1%, from A$2,311.0 million for the year ended December 31, 2017 to A$2,358.4 million for the year ended December 31, 2018. Proportionate property expenses, outgoings and other costs increased by A$9.2 million or 1.8%, from A$516.2 million for the year ended December 31, 2017 to A$525.4 million for the year ended December 31, 2018. Consequently, proportionate Net Property Income increased by A$38.2 million or 2.1%, from A$1,794.8 million for the year ended December 31, 2017 to A$1,833.0 million for the year ended December 31, 2018. This increase was primarily driven by growth in specialty shop rental rates and contracted annual rent escalations which contributed to the overall increase in Comparable Net Property Income growth for Australia and New Zealand of 2.5% for the year ended December 31, 2018, the impact of Net Property Income growth from completed developments and the acquisition of our 50% interest in Westfield Eastgardens in July 2018. This increase was partially offset by the impact of development projects and asset sales including the sale of one wholly owned Australian Westfield Living Centre and one wholly owned New Zealand Westfield Living Centre in 2017.

Our proportionate Net Property Income for the year ended December 31, 2018 compared to the year ended December 31, 2017 on a geographic basis is described below.

- ***Australia***—Our Australian operations contributed proportionate Net Property Income of A$1,752.9 million for the year ended December 31, 2018 compared to A$1,709.2 million for the year ended December 31, 2017, an increase of A$43.7 million or 2.6%. This increase was primarily due to growth in specialty shop rental rates and contracted annual rent escalations which contributed to the overall increase in Comparable Net Property Income growth for Australia for the year ended December 31, 2018, the impact of Net Property Income growth from completed developments and the acquisition of our 50% interest in Westfield Eastgardens in July 2018. Completed redevelopments included Westfield Chermside in Brisbane, and Westfield Whitford City in Perth, each of which was

completed in 2017, as well as Westfield Plenty Valley in Melbourne, Westfield Carousel in Perth, Westfield Tea Tree Plaza in Adelaide and Westfield Kotara in Newcastle, each of which were completed in 2018. In addition, we completed a greenfield development at Westfield Coomera in the Gold Coast in 2018. This increase was partially offset by the impact of the sale of Casey Central in Melbourne in February 2017 and the impact of lost rent from development projects. See "Business Description—Operating Data" for further information with respect to the movements in our leased rates and average specialty shop rental rates as well as other operational statistics as of and for the years ended December 31, 2018 and December 31, 2017.

- ***New Zealand***—Our New Zealand operations contributed proportionate Net Property Income of A$80.1 million for the year ended December 31, 2018 compared to A$85.6 million for the year ended December 31, 2017, a decrease of A$5.5 million or 6.4%. This decrease was primarily due to the impact of the sale of WestCity in Auckland in 2017 and lost rent from the redevelopment of Westfield Newmarket which commenced in 2018. This decrease was partially offset by growth in specialty shop rental rates and contracted annual rent escalations which contributed to the overall increase in Comparable Net Property Income growth for New Zealand for the year ended December 31, 2018. See "Business Description—Operating Data" for further information with respect to the movements in our leased rates and average specialty shop rental rates as well as other operational statistics as of and for the years ended December 31, 2018 and December 31, 2017.

Shopping center arrears for our portfolio for the year ended December 31, 2018 was approximately 1.3% of annual billings compared to approximately 0.7% for the year ended December 31, 2017.

Property Revaluations. Property revaluation gains (excluding our share of the property revaluations of equity accounted entities) decreased by A$1,996.2 million or 65.3%, from A$3,056.7 million for the year ended December 31, 2017 to A$1,060.5 million for the year ended December 31, 2018. This was primarily due to the difference to the weighted average capitalization rates of our property portfolio between December 31, 2018 and 2017 and between December 31, 2017 and 2016, each as described below, partially offset by changes in Comparable Net Property Income growth rates.

As of December 31, 2018, the weighted average capitalization rate of the property portfolio (including both consolidated properties and our share of equity accounted properties) was 4.71% in Australia and 6.24% in New Zealand. As of December 31, 2017, the weighted average capitalization rate of the property portfolio (including both consolidated properties and our share of equity accounted properties) was 4.86% in Australia and 6.39% in New Zealand. As of December 31, 2016, the weighted average capitalization rate of the property portfolio (including both consolidated properties and our share of equity accounted properties) was 5.29% in Australia and 6.55% in New Zealand.

Share of After Tax Profits of Equity Accounted Entities. Our share of the after tax profits of equity accounted entities decreased by A$71.3 million or 23.3%, from A$306.2 million for the year ended December 31, 2017 to A$234.9 million for the year ended December 31, 2018. This decrease was primarily due to decreases in property revaluations and Net Property Income for equity accounted entities.

Property revaluations for equity accounted entities decreased by A$72.9 million or 45.5%, from A$160.1 million for the year ended December 31, 2017 to A$87.2 million for the year ended December 31, 2018.

Net Property Income for equity accounted properties decreased by A$2.2 million or 1.4%, from A$162.3 million for the year ended December 31, 2017 to A$160.1 million for the year ended December 31, 2018. This decrease was primarily due to the impact of lost rent from the redevelopment of Westfield Newmarket which commenced in 2018.

Property Development and Construction Revenue and Costs. Property development and construction revenue derived from properties owned under joint venture or co-ownership arrangements and third-party

projects increased by A$114.4 million or 36.3%, from A$315.3 million for the year ended December 31, 2017 to A$429.7 million for the year ended December 31, 2018. Property development and construction costs for such properties increased by A$109.2 million or 46.4%, from A$235.2 million for the year ended December 31, 2017 to A$344.4 million for the year ended December 31, 2018. The increases in property development and construction revenue and costs were primarily due to the timing of project completions and commencements. Consequently, net property development and construction income derived from properties owned under joint venture or co-ownership arrangements and third-party projects increased by A$5.2 million or 6.5%, from A$80.1 million for the year ended December 31, 2017 to A$85.3 million for the year ended December 31, 2018.

Property and Funds Management Income and Property and Funds Management Costs. Property and funds management income from assets managed on behalf of institutions and other investors increased by A$0.2 million or 0.4%, from A$56.0 million for the year ended December 31, 2017 to A$56.2 million for the year ended December 31, 2018. Property and funds management costs relating to such assets decreased by A$0.5 million or 4.7%, from A$10.6 million for the year ended December 31, 2017 to A$10.1 million for the year ended December 31, 2018. Consequently, net property and funds management income on account of assets managed on behalf of institutions and other investors increased by A$0.7 million or 1.5%, from A$45.4 million for the year ended December 31, 2017 to A$46.1 million for the year ended December 31, 2018.

Currency Derivatives. Our loss on currency derivatives increased by A$36.1 million from a gain of A$6.4 million for the year ended December 31, 2017 to a loss of A$29.7 million for the year ended December 31, 2018. The change was mainly due to movements in the net fair value and associated credit risk on currency derivatives that do not qualify for hedge accounting of A$36.0 million from a gain of A$5.6 million for the year ended December 31, 2017 to a loss of A$30.4 million for the year ended December 31, 2018.

Overheads. Overheads decreased by A$2.7 million or 3.0%, from A$88.6 million for the year ended December 31, 2017 to A$85.9 million for the year ended December 31, 2018.

Net Gain/(Loss) from Capital Transactions. We recognized gains from capital transactions of A$40.1 million for the year ended December 31, 2018, mainly from the disposal of land holdings partially offset by other capital costs. We recognized less than A$50,000 of gains from capital transactions for the year ended December 31, 2017.

Financing Costs. Financing costs (including net fair value gain or loss on interest rate derivatives and other financial liabilities and net modification gain or loss on refinanced borrowing facilities) decreased by A$69.7 million or 9.2%, from A$754.8 million for the year ended December 31, 2017 to A$685.1 million for the year ended December 31, 2018.

Excluding the impact of the fair value gain or loss on interest rate derivatives and other financial liabilities and net modification gain or loss on refinanced borrowing facilities, our underlying financing costs increased by A$19.6 million or 3.8%, from A$518.6 million for the year ended December 31, 2017 to A$538.2 million for the year ended December 31, 2018. This increase was primarily attributable to an increase in gross financing costs of A$37.5 million from A$505.8 million for the year ended December 31, 2017 to A$543.3 million for the year ended December 31, 2018, as a result of an increase in our average net debt partially offset by an increase in interest capitalized of A$18.6 million from A$24.4 million for the year ended December 31, 2017 to A$43.0 million for the year ended December 31, 2018.

We recognized a net fair value loss on our interest rate derivatives of A$158.4 million for the year ended December 31, 2017 compared to a loss of A$133.6 million for the year ended December 31, 2018, a decrease of A$24.8 million, due to movements in market rates. The fair value loss on other financial liabilities decreased by A$54.6 million or 70.2%, from A$77.8 million for the year ended December 31, 2017 to A$23.2 million for the year ended December 31, 2018, which is in line with the movement in the fair value of properties linked to our property-linked notes.

Tax Benefit/(Expense). Tax expense decreased by A$9.4 million or 16.9%, from A$55.7 million for the year ended December 31, 2017 to A$46.3 million for the year ended December 31, 2018. Tax expense from underlying operations decreased by A$2.9 million or 5.4%, from A$53.9 million for the year ended December 31, 2017 to A$51.0 million for the year ended December 31, 2018. This decrease was mainly due to the impact of the sale of WestCity in 2017 and lost rent from the redevelopment of Westfield Newmarket which commenced in 2018. The change in deferred tax of A$6.5 million or 361.1%, from a deferred tax expense of A$1.8 million for the year ended December 31, 2017 to a deferred tax benefit of A$4.7 million for the year ended December 31, 2018 was primarily due to tax benefits from capital cost deductions in 2018.

Acquisitions, Dispositions and Developments

Australia

During the year ended December 31, 2018, we completed A$1.1 billion of developments in Australia, including a greenfield development at Westfield Coomera (A$470 million) in the Gold Coast and redevelopments at Westfield Plenty Valley (A$80 million) in Melbourne, at Westfield Carousel (A$350 million) in Perth, at Westfield Tea Tree Plaza (A$50 million) in Adelaide and at Westfield Kotara (A$160 million) in Newcastle. Our share of the estimated cost of these projects (taking into account the joint ventures) was A$810 million.

In July 2018, we completed the acquisition of a 50% interest in Westfield Eastgardens in Sydney from the Tower Terrace Group for A$720 million.

Carindale Property Trust together with its joint venture partner purchased the Millennium Boulevard Office and Retail Centre adjoining Westfield Carindale for A$28 million.

We did not make any significant dispositions in Australia during the year ended December 31, 2018.

New Zealand

In 2018, we commenced the NZ$790 million redevelopment of Westfield Newmarket in Auckland, New Zealand. Our share of the estimated cost of this project (taking into account the joint venture) is NZ$400 million. We completed this development in the last quarter of 2019.

We did not make any significant acquisitions or dispositions in New Zealand during the year ended December 31, 2018.

Liquidity and Capital Resources

Overview

In addition to funding the operation of our Westfield Living Centres, our primary requirement for cash has been, and will continue to be, to fund our development and redevelopment program. Our projects under construction as of December 31, 2019 included the A$50 million (Scentre Group share: A$16 million) project at Westfield Carindale in Brisbane, Australia. We expect to complete this project in 2020. During 2019, we also commenced special projects, including the A$30 million (Scentre Group share: A$15 million) expansion and refurbishment of the level 2 dining precinct at Westfield Doncaster and the A$38 million (Scentre Group share: A$38 million) new format Myer and new specialty stores at Westfield Belconnen. At December 31, 2019, we had also started construction of a A$55 million (Scentre Group share: A$27.5 million) rooftop entertainment, leisure and dining precinct at Westfield Mt Druitt in Sydney, Australia. We have since deferred this project as a result of the impact of COVID-19.

In 2019, we completed the NZ$790 million (Scentre Group share: NZ$400 million) redevelopment at Westfield Newmarket in Auckland, New Zealand, and the A$21 million (Scentre Group share: A$10.5 million) Bradley Street dining precinct at Westfield Woden in Canberra, Australia.

In 2018, we completed a greenfield development at Westfield Coomera in the Gold Coast, Australia (A$470 million) and redevelopments at Westfield Carousel in Perth, Australia (A$350 million), Westfield Plenty Valley in Melbourne, Australia (A$80 million), Westfield Kotara in Newcastle, Australia (A$160 million) and Westfield Tea Tree Plaza in Adelaide, Australia (A$50 million), adding more than 106,000 square meters of GLA.

In 2017, we completed the redevelopment at Westfield Chermside in Brisbane, Australia (A$355 million) and the redevelopment at Westfield Whitford City in Perth, Australia (A$80 million).

We intend to continue investing limited capital and resources in pre-development work on a number of our Westfield Living Centres with strategic development opportunities as we believe they are located in strong, underserved markets with prime opportunities for market share gains through redevelopment and expansion, including nearer term opportunities at Westfield Knox in Melbourne, Australia and Market Street in Sydney, Australia. We are currently undertaking pre-development activity on future development opportunities with an estimated value in excess of A$3.0 billion. In addition, we have potential opportunities for alternative use developments in excess of A$1.5 billion, which may include office, educational and residential projects.

Any decision on the commencement or ongoing capital expenditure on development activity of the above Westfield Living Centres will depend on the feasibility of those projects in the context of the economic environment at the relevant time. As a result of the COVID-19 pandemic, we are reviewing the timeline of our pending redevelopments. See "Summary—Recent Developments—COVID-19."

We also use significant amounts of cash to pay distributions to holders of our stapled securities and repay principal and interest on our debt. Our policy is to set a distribution target at the start of each year. The target will have regard to the prior year's distribution and the forecast change in our FFO for the target year. It will also have regard to our capital expenditure plans and other general business and financial considerations. We anticipate that we will disclose our target distribution each year at the time of our annual results announcement for the prior year. In light of the COVID-19 pandemic, we have withdrawn the distribution guidance that we issued when we announced our results for the 2019 fiscal year on February 18, 2020 and determined to not pay an interim distribution for the half-year period ending June 30, 2020. Our distribution policy is described in more detail under "Business Description—Policies and Objectives With Respect to Investments, Financing and Other Activities—Distribution Policy."

We generate cash from our operations. Our cash flows have been impacted by the COVID-19 pandemic. See "Summary—Recent Developments—COVID-19." We also maintain a diversity of financing sources, including committed unsecured bank loan facilities on a bilateral basis, commercial paper and bonds. Committed unsecured bank loan facilities and bonds are with a number of lenders and have various maturities to minimize credit risk and refinancing risk. We also raise debt finance through secured borrowings, including secured investment loans over individual properties or groups of properties and secured construction loans.

As of December 31, 2019, on a consolidated basis, we had outstanding indebtedness of A$13.8 billion, of which A$13.5 billion was unsecured and A$265.5 million was secured.

For a summary of our debt profile and committed financing facilities, see "Debt Maturity Profile, Available Liquidity and Description of Liquidity" below. Our balance of cash and cash equivalents was A$253.0 million as of December 31, 2019.

As of December 31, 2019, we had A$689.0 million of property-linked notes outstanding. These notes provide the holders with returns based on the economic performance of certain Australian super regional Westfield Living Centres: Westfield Parramatta and Westfield Hornsby in New South Wales and Westfield Southland in Victoria.

We continue to manage our invested capital position to deliver sustainable earnings growth and higher return on equity. A key component of our capital management strategy is the efficient sourcing of capital in order to pursue our operating objectives.

There can be no assurance that in the future we will be able to sell our equity securities or property assets on acceptable terms, if at all.

In addition to the public equity and long term secured and unsecured debt markets, we may also raise funding by accessing private equity from institutional investors, through hybrid equity raisings, the disposition or joint venturing of properties and the establishment of wholesale funds managed by us that will hold interests in certain of our properties.

Cash Flows

Comparison of cash flows for the year ended December 31, 2019 with the year ended December 31, 2018

Net cash inflows from operating activities increased by A$1.2 million or 0.1%, from A$1,299.3 million for the year ended December 31, 2018 to A$1,300.5 million for the year ended December 31, 2019. This increase in net cash inflows was primarily due to a decrease in income and withholding taxes paid of A$25.6 million (cash outflows of A$66.6 million for the year ended December 31, 2018 compared to A$41.0 million for the year ended December 31, 2019), an increase in dividends/distributions received from equity accounted entities of A$5.5 million (cash inflows of $102.3 million for the year ended December 31, 2018 compared to A$107.8 million for the year ended December 31, 2019), a decrease in sales taxes paid of A$3.1 million (cash outflows of A$222.9 million for the year ended December 31, 2018 compared to A$219.8 million for the year ended December 31, 2019), and an increase in interest received of A$1.5 million (cash inflows of A$3.1 million for the year ended December 31, 2018 compared to A$4.6 million for the year ended December 31, 2019), partially offset by an increase in financing costs (excluding interest capitalized) of A$15.7 million (cash outflows of A$504.5 million for the year ended December 31, 2018 compared to A$520.2 million for the year ended December 31, 2019), a decrease in receipts in the course of operations of A$9.5 million (cash inflows of A$2,940.8 million for the year ended December 31, 2018 compared to A$2,931.3 million for the year ended December 31, 2019) and an increase in payments in the course of operations of A$9.3 million (cash outflows of A$952.9 million for the year ended December 31, 2018 compared to A$962.2 million for the year ended December 31, 2019).

Net cash inflows from investing activities increased by A$2,527.2 million or 147.4%, from outflows of A$1,715.1 million for the year ended December 31, 2018 to inflows of A$812.1 million for the year ended December 31, 2019. This increase in net cash inflows was primarily due to an increase in proceeds from the sale of assets of A$2,007.9 million (cash inflows of A$90.6 million for the year ended December 31, 2018 compared to A$2,098.5 million for the year ended December 31, 2019), a decrease in capital expenditure on property investments of A$413.6 million (cash outflows of A$749.0 million for the year ended December 31, 2018 compared to A$335.4 million for the year ended December 31, 2019) and a decrease in payments for the acquisition of investment property of A$149.2 million (cash outflows of A$774.0 million for the year ended December 31, 2018 compared to A$624.8 million for the year ended December 31, 2019), partially offset by an increase in net outflows for investments in equity accounted entities of A$49.0 million (cash outflows of A$167.3 million for the year ended December 31, 2018 compared to A$216.3 million for the year ended December 31, 2019).

Net cash outflows from financing activities increased by A$2,511.4 million or 563.5%, from net inflows of A$445.7 million for the year ended December 31, 2018 to net outflows of A$2,065.7 million for the year ended December 31, 2019. This increase in net cash outflows was primarily due to an increase in net repayment of interest bearing liabilities and lease liabilities of A$2,217.5 million (cash inflows of A$1,652.7 million for the year ended December 31, 2018 compared to cash outflows of A$564.8 million for the year ended December 31, 2019), an increase in payments for the buy-back of securities and associated costs of A$273.5 million (cash outflows of A$30.1 million for the year ended December 31, 2018 compared to A$303.6 million for the year ended December 31, 2019) and an increase in dividends/distributions paid of A$22.0 million (cash outflows of A$1,165.1 million for the year ended December 31, 2018 compared to A$1,187.1 million for the year ended December 31, 2019).

Comparison of cash flows for the year ended December 31, 2018 with the year ended December 31, 2017

Net cash inflows from operating activities increased by A$74.2 million or 6.1%, from A$1,225.1 million for the year ended December 31, 2017 to A$1,299.3 million for the year ended December 31, 2018. This increase in net cash inflows was primarily due to an increase in receipts in the course of operations of A$148.0 million (cash inflows of A$2,792.8 million for the year ended December 31, 2017 compared to A$2,940.8 million for the year ended December 31, 2018), a decrease in payments of financing costs (excluding interest capitalized) of A$7.5 million (cash outflows of A$512.0 million for the year ended December 31, 2017 compared to A$504.5 million for the year ended December 31, 2018), partially offset by an increase in payments in the course of operations of A$52.0 million (cash outflows of A$900.9 million for the year ended December 31, 2017 compared to A$952.9 million for the year ended December 31, 2018), an increase in sales taxes paid of A$7.1 million (cash outflows of A$215.8 million for the year ended December 31, 2017 compared to A$222.9 million for the year ended December 31, 2018) and an increase in income and withholding taxes paid of A$22.0 million (cash outflows of A$44.6 million for the year ended December 31, 2017 compared to A$66.6 million for the year ended December 31, 2018).

Net cash outflows from investing activities increased by A$1,309.0 million or 322.3%, from A$406.1 million for the year ended December 31, 2017 to A$1,715.1 million for the year ended December 31, 2018. This increase in net cash outflows was primarily due to payments for the acquisition of investment property of A$774.0 million in 2018 (including A$720 million for the acquisition of a 50% interest in Westfield Eastgardens in Sydney), a decrease in proceeds from the disposition of assets of A$279.3 million (cash inflows of A$369.9 million for the year ended December 31, 2017 compared to A$90.6 million for the year ended December 31, 2018), an increase in net outflows for investments in equity accounted entities of A$135.5 million (cash outflows of A$31.8 million for the year ended December 31, 2017 compared to A$167.3 million for the year ended December 31, 2018) and an increase in capital expenditure on property investments of A$84.9 million (cash outflows of A$664.1 million for the year ended December 31, 2017 compared to A$749.0 million for the year ended December 31, 2018).

Net cash inflows from financing activities increased by A$1,248.0 million or 155.6%, from net outflows of A$802.3 million for the year ended December 31, 2017 to net inflows of A$445.7 million for the year ended December 31, 2018. This increase in net cash inflows was primarily due to an increase in net proceeds from interest bearing liabilities of A$882.8 million (cash inflows of A$769.9 million for the year ended December 31, 2017 compared to A$1,652.7 million for the year ended December 31, 2018), a decrease in repayments of other financial liabilities of A$416.6 million (cash outflows of A$416.6 million for the year ended December 31, 2017 compared to nil for the year ended December 31, 2018), partially offset by an increase in payments for the buy-back of securities and associated costs of A$30.1 million (nil cash outflows for the year ended December 31, 2017 compared to cash outflows of A$30.1 million for the year ended December 31, 2018) and an increase in dividends/distributions paid of A$22.6 million (cash outflows of A$1,142.5 million for the year ended December 31, 2017 compared to A$1,165.1 million for the year ended December 31, 2018).

Gearing Policy and Debt Facilities

As of December 31, 2019, our leverage ratio on a look-through basis was 33.0%. We intend to maintain a leverage ratio in the mid 30% range over the long term. Our real estate assets are the primary component of our total assets. As a result, upward or downward revaluations of our real estate assets may affect our leverage ratio. We may from time to time reevaluate our policy with regard to our leverage ratio in light of then-prevailing economic conditions, relative costs of debt and equity capital, changes in our market capitalization, growth and acquisition opportunities or other factors, and modify our leverage policy accordingly. As a result, we may increase our leverage ratio beyond the limits described above.

None of our organizational documents limit the amount of indebtedness that we may incur. However, certain of our financing agreements, including the indenture that will govern the Notes, contain certain financial

covenants, including leverage ratio covenants. As of December 31, 2019, our leverage ratio, calculated in accordance with the leverage ratio covenant of Net Debt to Net Assets to be contained, and as those terms will be defined, in the indenture that will govern the Notes was 33.9%.

If our board determines that additional funding is required, we may raise such funds through equity offerings, hybrid equity raisings, debt financing, the disposal of or joint venturing of properties, the establishment of wholesale funds managed by us which will hold interests in certain of our properties, the retention of operating cash flow or a combination of these methods, subject to restrictions under applicable law and our debt agreements, including limitations under the indenture that will govern the Notes.

Future indebtedness incurred by us may be in the form of publicly or privately placed debt instruments, financing from banks, institutional investors or other lenders, any of which indebtedness may be unsecured or may be secured by mortgages or other interests in our assets. Such indebtedness may be recourse, non-recourse or cross-collateralized and, if subject to recourse, such recourse may include our general assets and, if non-recourse, may be limited to the particular property or properties to which the indebtedness relates. In addition, we may invest in properties subject to existing loans secured by mortgages, deeds of trust or similar liens on the properties, or may refinance properties acquired on a leveraged basis. The proceeds from any borrowings by us may be used for working capital, to purchase additional interests in joint ventures or partnerships in which we participate, to refinance existing indebtedness or to finance acquisitions, expansions or redevelopment of new and existing properties. We may also incur indebtedness for other purposes when, in the opinion of our board, it is advisable to do so.

Our debt facilities comprise fixed rate unsecured debt security issues, floating rate unsecured loan facilities and floating rate secured loan facilities. The loan facilities are provided by a number of lenders and have various maturities to minimize credit risk and refinancing risk. The unsecured loan facilities are subject to negative pledge arrangements including requirements to comply with financial covenants on specified dates and/or for specified periods.

In addition to traditional debt instruments, we had A$1.3 billion initial face amount of property-linked notes, which were issued by Westfield Group in 2006 and 2007. The property-linked notes were designed to provide returns based on a proportional interest in the economic performance of a portfolio of Australian Westfield Living Centres. When the notes were originally issued, these centers were Parramatta, Hornsby and Burwood, all of which are located in Sydney, New South Wales; Southland in Melbourne, Victoria; Tea Tree Plaza in Adelaide, South Australia; and Belconnen in Canberra, Australian Capital Territory. The property-linked notes are subordinated to all our other secured and unsecured debt, and are guaranteed on a subordinated basis by Scentre Group Limited and RE1 Limited as responsible entity of SGT2. At each reporting date, the property-linked notes are re-measured at fair value which is determined by reference to the fair value of the relevant Westfield Living Centre. We repaid A$279.7 million, A$161.5 million and A$416.6 million of the property-linked notes in November 2015, June 2016 and January 2017, respectively, and the fair value of property-linked notes outstanding was A$689.0 million as of December 31, 2019. The outstanding property-linked notes, which are linked to economic interests in Westfield Parramatta, Westfield Southland and Westfield Hornsby, have future review dates of December 31, 2021, 2022 and 2023, respectively. The notes may be redeemed on their respective review date. On redemption, the obligation to repay the property-linked notes can, in certain circumstances, be satisfied by the transfer of interests in the underlying properties to the noteholders.

Under the terms of the indenture that will govern the Notes, the property-linked notes are classified as “Effective Equity Securities” and the proportional value of each of the underlying properties relating to the property-linked notes is an “Effective Equity Allocated Asset.” As a result, the aggregate principal amount of the property-linked notes and the aggregate proportional values of the underlying properties are excluded in determining Net Debt and Net Assets, respectively, for purposes of calculating the leverage ratio covenant of Net Debt to Net Assets to be contained, and as those terms will be defined, in the indenture that will govern the Notes. See “Description of the Notes and Guarantees—Restrictive Covenants” and, in particular, the definitions of the terms used.

We believe that we have sufficient sources of funds to meet our financing requirements and that existing covenants in our debt facilities will not materially impact our liquidity or our ability to operate our business. We will continue to investigate both debt and equity alternatives to finance our business and to finance potential investments.

Debt Maturity Profile, Available Liquidity and Description of Liquidity

As of December 31, 2019, on a consolidated basis, we had total available liquidity of A$1.8 billion made up of undrawn, predominantly long term, unsecured committed bank loan facilities of A$1.6 billion after taking into account outstanding bank guarantees, and cash and cash equivalents of A$253.0 million. We have since obtained A$1.9 billion in additional unsecured bank facilities that increased our available liquidity position to A$3.1 billion as of April 1, 2020. See "Summary—Recent Developments—Liquidity Management." These facilities are subject to negative pledge arrangements which, among other things, require us to comply with certain financial covenants.

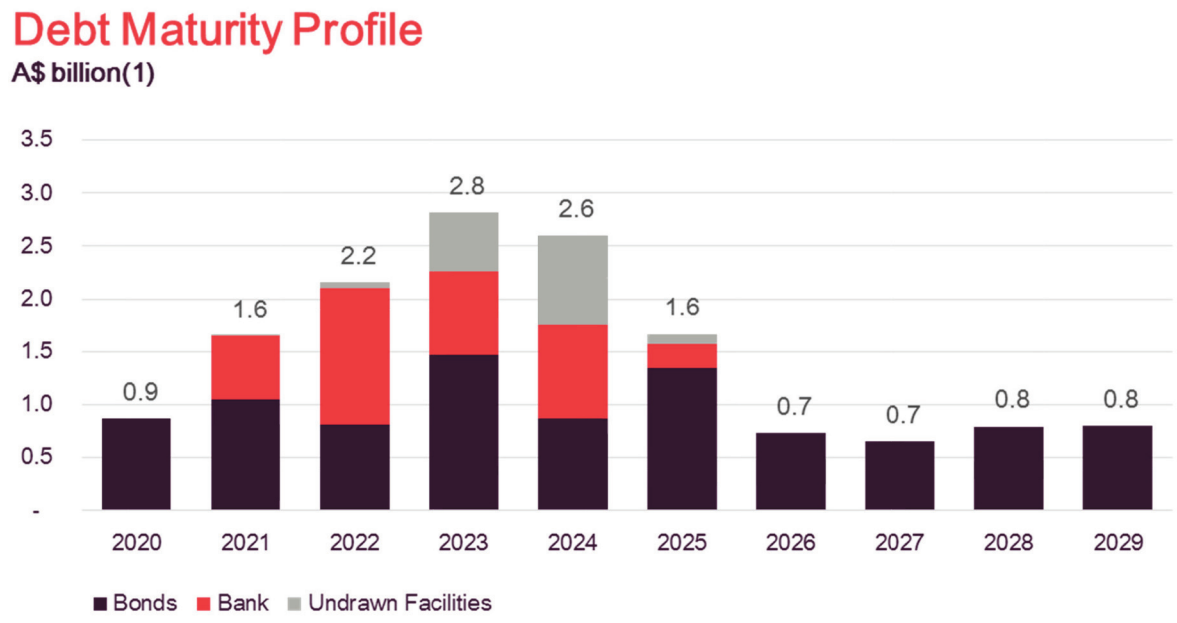
The profiles of our interest bearing liabilities and our committed financing facilities, which are comprised of fixed rate unsecured debt security issues, floating rate unsecured loan facilities and floating rate secured loan facilities, as of December 31, 2019, are set out below:

		As of December 31, 2019	
	Maturity date	Committed Financing Facilities	Total Interest Bearing Liabilities
		(in millions)	
Year ending:			
Unsecured notes payable—€(1)	Jul 20 to Mar 29	A$5,142.2	A$5,142.2
Unsecured notes payable—US$(1)	Apr 21 to Mar 27	2,993.2	2,993.2
Unsecured notes payable—£(1)	Apr 22 to Jul 26	1,512.3	1,512.3
Unsecured notes payable—A$	Sep 21 to Jul 22	430.5	430.5
Unsecured bank loan facilities	Jan 21 to Sep 25	5,050.0	2,721.3
Unsecured commercial paper and uncommitted facilities(2)		—	754.7
Secured bank loans and mortgages	Feb 23	300.0	265.5
Total		**A$15,428.2**	**A$13,819.7**

(1) The €, US$ and £ denominated notes payables are economically hedged using cross currency swaps with the same principal values to convert into A$ payables.

(2) Drawings on Scentre Group's commercial paper program and uncommitted facilities are in addition to Scentre Group's committed facilities and are classified as current interest bearing liabilities. These drawings may be refinanced by non-current unsecured bank loan facilities.

The debt maturity profile, by year, of our interest bearing liabilities and our committed financing facilities, as of December 31, 2019, is set out below:



(1) Foreign currency bonds at fully hedged A$ equivalent face value.

The above debt maturity profile is as of December 31, 2019 and does not reflect the recent liquidity management activities that we have conducted since that date. See "Summary—Recent Developments—Liquidity Management."

Interest Rate Profile

As of December 31, 2019, we had fixed 85% (on the basis of our economic share of interest rate hedging) of our net interest payable exposure. The remaining 15% is exposed to floating rates on a principal payable of A$1,877.6 million, at an interest rate based on an interbank benchmark rate and applicable margins.

Contractual Obligations and Other Commitments

The following table summarizes our contractual obligations and commitments as of December 31, 2019. Further information regarding our capital expenditure commitments is set forth in Note 33 ("Capital Expenditure Commitments") of the audited Scentre Group financial statements for the year ended December 31, 2019, which is included elsewhere in this offering memorandum.

	As of December 31, 2019 (in millions)
Borrowings	
Wholly owned and consolidated joint ventures	A$13,819.7
Total borrowings	**13,819.7**
Capital expenditure commitments	100.3
Total	**A$13,920.0**

Off-Balance Sheet Arrangements

Other than as disclosed in the above table, there are no other significant off-balance sheet contractual obligations or other commitments.

Quantitative and Qualitative Disclosures About Market Risk

Derivative Financial Instruments and the Effects of Translation of Foreign Currency Transactions on Results of Operations

Our activities expose us to changes in interest rates and foreign exchange rates. We have policies and limits in respect of the use of derivative and other financial instruments to hedge cash flows subject to interest rate and currency risks. We have a comprehensive hedging program that is used to manage interest rate and foreign exchange rate risk. We do not enter into derivatives for speculative purposes and our hedging policies are approved and monitored by our board.

Foreign currency denominated investments are funded by equity and borrowings. Where the equity and borrowings are denominated in a currency other than that of the underlying asset, a mismatch of the currency denomination of the assets and the equity and liabilities arises, creating an exposure to risks associated with exchange rate movements.

We may manage our exposure to these risks by funding a portion of our foreign currency investments with loans denominated in the same currency, or by the use of currency derivatives to convert funding in one currency into funding in the currency in which the asset is denominated.

As a result of hedging our foreign currency denominated investments through currency derivatives and foreign currency loans, we may be exposed to risks associated with interest rate movements on the principal amount of NZ$ denominated borrowings.

As part of the management of the risks associated with interest rate movements on the principal amount of NZ$ denominated borrowings, we may enter into interest rate derivatives. The remaining principal amounts are unhedged and remain exposed to floating interest rate movements. Fixed and floating rate interest income and expense on such interest rate derivatives are recorded in the income statement.

In addition, we may hedge all, part or none of our exposure to foreign exchange rate movements on our foreign currency denominated business revenues and expenses by forward selling or buying foreign currency for a fixed A$ amount with forward foreign exchange contracts and options.

Our treasury transactions are undertaken to achieve economic outcomes in line with our treasury policy. As mentioned above, the hedge documentation, designation and effectiveness requirements under AAS cannot be met in all circumstances. As a result, our hedges (other than currency derivatives that may be used from time to time to hedge investments in foreign operations) do not qualify for hedge accounting treatment.

Interest Rate Risk Management

We enter into interest rate derivatives to reduce our exposure to the effects of fluctuations in interest rates on interest expense relating to our debt and cross currency swaps and any interest income which may relate to our cross currency swaps. We also manage our exposure to interest rate fluctuations by entering into fixed rate debt. We do not enter into interest rate derivatives for speculative purposes.

As of December 31, 2019, our interest rate risk exposures, including the relevant financial instruments used to manage these exposures, are as follows:

	As of December 31, 2019
	(in millions)
Principal amounts of interest bearing assets/(liabilities):	
Interest bearing liabilities	A$(13,819.7)
Cross currency swaps	
A$	(8,953.1)
£800.0 million	1,512.3
US$2,100.0 million	2,993.2
€3,200.0 million	5,114.3
Cash and cash equivalents	261.0
Principal amount of net interest bearing liabilities	**(12,892.0)**
Principal amounts of fixed interest rate assets/(liabilities):	
Fixed rate debt	
A$	(430.0)
£800.0 million	(1,512.3)
US$2,100.0 million	(2,993.2)
€3,200.0 million	(5,114.3)
Fixed rate derivatives	
A$	(9,860.0)
NZ$755.0 million	(724.4)
£800.0 million	1,512.3
US$2,100.0 million	2,993.2
€3,200.0 million	5,114.3
Principal amounts of net interest bearing liabilities hedged by fixed rate debt and derivatives	**(11,014.4)**

In addition to the above, we entered into callable swaps with an aggregate principal value of A$1.0 billion, where floating rate payments are swapped to fixed rate payments from February 2020 until February 2026. The callable swaps may be terminated by the counterparty at no cost on a quarterly basis commencing from June 2020 until February 2026.

Foreign Exchange Risk Management

We may enter into cross currency swaps and foreign exchange contracts where we agree to buy or sell specified amounts of foreign currencies at predetermined exchange rates at some specified date in the future. The objective is to reduce the risk of exchange rate fluctuation in respect of a portion of our foreign currency denominated assets and future revenue and expenses. We do not enter into cross currency swaps or foreign exchange contracts for speculative purposes.

Cross Currency Swaps

We may enter into cross currency swaps to convert borrowings denominated in one currency into another currency to achieve a desired level of hedging of our exposures denominated in foreign currencies. These cross currency swap agreements are contractual agreements between us and third parties to exchange interest payments in two separate currencies on a periodic basis with the underlying principal amounts exchanged at the same rate at both the start date and again at the maturity date. In respect of the cross currency swaps entered into by us, as of December 31, 2019, we have agreed to pay to third parties, on set dates, interest based on the Australian financial market floating interest rate indicator, A$ BBSW on an aggregate principal amount of A$8,953.1 million.

Correspondingly, we will receive from third parties on set dates, fixed interest coupons on the aggregate principal amounts of €3,200.0 million, £800.0 million and US$2,100.0 million, respectively.

Critical Accounting Policies

Critical accounting policies are those policies that require management to make estimates or judgments that may significantly affect the reported amounts of assets, liabilities, revenues or expenses or the disclosure of contingent assets or liabilities. Such estimates are based on judgments and assumptions and could potentially result in materially different results under different assumptions and conditions. The following disclosure discusses the estimates and judgments that management is required to make in the application of those critical accounting policies, having regard to trends, known events or assumptions that it believes to be reasonable at the time.

Investment Properties

Shopping center investments

Our shopping center investment properties represent completed centers comprising freehold and leasehold land, buildings and leasehold improvements.

Land and buildings are considered as having the function of an investment and therefore are regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than by the diminution in value of the building content due to the passing of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Initially, shopping center investment properties are measured at cost including transaction costs. Subsequent to initial recognition, our portfolio of shopping center investment properties are stated at fair value. Gains and losses arising from changes in the fair values of shopping center investment properties are included in the income statement in the year in which they arise. Any gains or losses on the sale of an investment property are recognized in the income statement in the year of sale.

At each reporting date, the carrying value of the portfolio of shopping center investment properties are assessed by the Directors and where the carrying value differs materially from the Directors' assessment of fair value, an adjustment to the carrying value is recorded as appropriate.

The Directors' assessment of fair value of each shopping center investment property takes into account the latest independent valuations, generally prepared annually, with updates taking into account any changes in capitalization rate, underlying income and valuations of comparable centers. In determining the fair value, the capitalization of net income method and the discounting of future cash flows to their present value have been used which are based upon assumptions and judgment in relation to future rental income and property capitalization rate and make reference to market evidence of transaction prices for similar properties. It is our policy to appoint a number of qualified independent valuers and that no individual valuer is appointed to appraise any individual property for greater than three consecutive years.

Development projects and construction in progress

Our development projects and construction in progress include costs incurred for the current and future redevelopment and expansion of new and existing shopping center investments, and are classified as inventory when intended for sale to third parties. Development projects and construction in progress include capitalized construction and development costs, payments and advances to contractors and where applicable, borrowing costs incurred on qualifying developments.

The Directors' assessment of fair value of each development project and construction in progress that meets the definition of an investment property, takes into account the expected costs to complete, the stage of completion, expected underlying income and yield of the developments. From time to time, during a development, the Directors may commission an independent valuation of the development project. On completion, the development projects are reclassified to shopping center investments and an independent valuation is obtained.

The assessment of fair value and possible impairment in the fair value of shopping center investment, development projects and construction in progress are significant estimates that can change based on our continuous process of assessing the factors affecting each property.

Trade and other receivables

Trade and other receivables are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest. At initial recognition, these are measured at fair value.

Trade and other receivables are subsequently measured at amortized cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses are recognized in the income statement. The receivable is written off when there is no reasonable expectation of recovering the contractual cash flows. Any gain or loss on derecognition is also recognized in the income statement.

In assessing for impairment, we assess on a forward-looking basis the expected credit losses associated with our financial assets carried at amortized cost. For trade receivables, we apply the simplified approach permitted by the standard, which requires lifetime expected losses to be recognized from initial recognition of the receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on outstanding balances, days past their due date and the corresponding historical credit losses experienced. Historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors (including gross domestic product) affecting the ability of customers to settle their debts.

Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to us and can be reliably measured.

Rental income from investment properties is accounted for on a straight line basis over the lease term. Contingent rental income is recognized as income in the period in which it is earned. If not received at balance date, revenue is reflected in the balance sheet as a receivable and carried at its recoverable amount. Certain tenant allowances that are classified as lease incentives are recorded as part of investment properties and amortized over the term of the lease. The amortization is recorded against property revenue.

Property development and construction revenue comprises Construction, Design and Development fees earned from Design and Construction Agreements ("D&C Agreements") with third parties. From January 1, 2018, in accordance with AASB 15 Revenue from Contracts with Customers, we account for all services provided under the D&C Agreements as a single performance obligation, the services being part of a series of distinct goods and services that are substantially integrated with the same pattern of transfer, and revenue is recognized based on the percentage of completion for that single performance obligation. Percentage of completion is determined based on the proportion of contract costs incurred to date and the estimated contract costs to complete. Significant judgments and estimates are made in determining (i) variable consideration which may be included in the transaction price; (ii) costs incurred to date that reflects our progress in satisfying our

performance obligations under the contract; and (iii) the total contract costs. In previous reporting periods, we recognized revenue on a percentage of completion basis for each service provided under the D&C Agreements. Percentage of completion was determined based on the proportion of contract costs incurred to date and the estimated costs to complete for each service. Accordingly, the various services provided under the D&C Agreements were treated as distinct performance obligations and revenues were recognized based on their separately determined percentage of completion.

Property management revenue from third parties is recognized as services are provided.

Recoveries of outgoings from lessees are recognized as services are provided.

Revenue from the sale of properties is recognized when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.

All other revenues are recognized as services are provided.

Deferred tax

Deferred tax is provided on all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognized in other comprehensive income or directly in equity is recognized in other comprehensive income or directly in equity and not the income statement.

Derivative and other financial instruments

We utilize derivative financial instruments, including forward exchange contracts, interest rate options and currency and interest rate swaps to manage the risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are recognized at fair value.

We have set defined policies and implemented a comprehensive hedging program to manage interest and exchange rate risks. Derivative instruments are transacted to achieve the economic outcomes in line with our treasury policy and hedging program. Derivative instruments are not transacted for speculative purposes. Accounting standards require detailed compliance with documentation, designation and effectiveness parameters before a derivative financial instrument is deemed to qualify for hedge accounting treatment. These documentation, designation and effectiveness requirements cannot be met in all circumstances. As these requirements are not met, derivative instruments, other than any currency derivatives that hedge net investments in foreign operations, are deemed not to qualify for hedge accounting and changes in fair value are recorded in the income statement.

Gains or losses arising on the movements in the fair value of currency derivatives which hedge net investments in foreign operations are recognized in the foreign currency translation reserve. Where a currency derivative, or portion thereof, is deemed an ineffective hedge for accounting purposes, gains or losses thereon are recognized in the income statement. On disposal of a net investment in foreign operations, the cumulative gains or losses recognized previously in the foreign currency translation reserve are transferred to the income statement.

The fair value of derivatives has been determined with reference to market observable inputs for contracts with similar maturity profiles. The valuation is a present value calculation which incorporates interest rate curves, foreign exchange spot and forward rates, option volatilities and the credit quality of all counterparties.

We account for the modification of a financial liability that has not resulted in derecognition, by adjusting the amortized cost of the liability. The resulting gain or loss from modification is recognized in the income statement in the period the financial liability is modified.

Property-linked notes are included as "other financial liabilities" on the balance sheet of our financial statements. Where there is a minimum distribution entitlement and/or the redemption terms include the settlement for cash on redemption, the instrument is classified as a financial liability and is fair valued through the income statement. The fair value of property-linked notes is determined by reference to the fair value of the underlying linked property investments.

Further information on significant accounting policies relevant to the financial information is disclosed in the notes to the financial statements in the Scentre Group financial statements.

New and Amended Reporting Requirements

We have adopted the following new or amended standards which became applicable on January 1, 2019:

- AASB 16 Leases;
- AASB 2017-7 Amendments to Australian Accounting Standards—Long-term Interests in Associates and Joint Ventures;
- AASB 2018-1 Amendments to Australian Accounting Standards—Annual Improvements 2015-2017 Cycle; and
- AASB Interpretation 23 Uncertainty over Income Tax Treatments, and relevant amending standards.

For the year ended December 31, 2019, the adoption of these amended standards had no material impact on our financial statements.

Australian Accounting Standards and Interpretations that have been issued or amended but are not yet effective as of December 31, 2019 are disclosed in Note 1 ("Basis of Preparation of the Financial Report") in the Scentre Group financial statements.

BUSINESS DESCRIPTION

Overview of Scentre Group

We are an industry leading, internally managed retail property group focused on investing and operating retail shopping centers in Australia and New Zealand, which we refer to as our "Westfield Living Centres." We own a vertically integrated Australian and New Zealand retail property operating platform and retail property portfolio, with capabilities including property management, leasing, design, development, construction, marketing and funds management. Our Westfield Living Centres are destinations of choice for shopping, dining, entertainment, events and socializing in major cities across Australia and New Zealand.

We were formed in 2014 to own the Australian and New Zealand assets of the former Westfield Group and Westfield Retail Trust. We have an exclusive, continuing and royalty free license to use the Westfield brand in Australia and New Zealand for our existing shopping center portfolio and any new shopping centers in Australia and New Zealand which meet certain agreed characteristics.

We are the largest listed retail property group in Australia and New Zealand, with an equity market capitalization of A$12.1 billion (US$7.9 billion) as of April 30, 2020. We own a property portfolio comprising interests in 42 Westfield Living Centres in Australia and New Zealand as of December 31, 2019. The book value of our proportional interest in our Westfield Living Centres was A$38.2 billion and assets under management was A$56.0 billion as of December 31, 2019. The book value of our proportional interest includes construction in progress and assets held for redevelopment.

Purpose, Plan and Strategy

Our purpose is to create extraordinary places connecting and enriching communities by owning, managing and developing the best retail assets in Australia and New Zealand. Our plan is to create the places more people choose to come, more often and for longer.

In striving to achieve our purpose and plan, we are guided by our values:

- *We put the customer first.*
- *We act with integrity.*
- *We strive for excellence.*
- *We succeed together.*
- *We are constantly curious.*
- *We create a positive legacy.*

Our plan focuses on four key stakeholders, with respect to each of which we have a long-term strategic objective:

- ***Customers***—We aim to be customer obsessed, delivering extraordinary experiences, every day. Our strategy is based on the fundamental principle that we compete for the time and attention of our customers. We believe that customers continue to want a seamless shopping experience. We see this as an opportunity and believe that physical retail is and will remain a central part of the retail ecosystem, key to retailer sales and distribution strategy. This is based on the fact that well-located, high-quality physical retail, like our portfolio, is a cost-efficient means for a brand to engage with the customer. Our portfolio network is also difficult to replicate.
- ***Retail and brand partners***—We aim to be a true business partner for our retailers and brands to maximize their opportunity to interact with customers on site. We are the leading platform in Australia

and New Zealand for retailers and brands to interact with customers. We believe our Westfield Living Centres are essential social infrastructure, with more than 65% of the population living within a 30 minute drive of one of our centers. During 2019, annual customer visits increased by more than 12 million to over 548 million. By listening and acting on what our customers want, we have curated the mix within each center of our portfolio. As of December 31, 2019, we had 3,600 brands and more than 12,000 outlets across our portfolio. In 2019, we welcomed 344 new brands to the portfolio, while 279 existing brands grew their store network with us. In recent years, this growth has been seen through the shift towards experiential retail and consume-on-site, which continues. As of December 31, 2019, 43% of the stores in our portfolio were experience and services based.

- ***People***—We aim to be a place where talent will thrive. We also aspire to create a workforce that reflects communities in which we operate. We believe that a diverse and engaged workforce contributes to strong business performance and we seek to provide an inclusive and supportive working environment that recognizes and celebrates all the ways we are different.
- ***Investors***—We aim to deliver long-term sustainable returns through economic cycles. Our approach to financial management is to maintain a long-term focus, to improve our earnings, assets and return on equity through economic cycles within a framework of low tolerance for risk. We also continue to maintain a strong focus on capital management, including proactively managing our debt portfolio.

Competitive Advantages

We believe we have the following competitive advantages:

High Quality Portfolio. Our Westfield Living Centres are generally located in prime trade areas in major cities, are anchored by long-term tenancies with major retailers and incorporate a wide cross-section of high-quality specialty retailers and national and international chain store operators. Our Westfield Living Centres are spread across five states and one territory in Australia as well as in New Zealand. The size of our property portfolio and revenue base significantly reduces our dependence upon any single tenant or property. As of December 31, 2019, our 10 highest valued Westfield Living Centres represented 56% of our portfolio. For the year ended December 31, 2019, no single anchor retailer contributed more than 3% and no specialty store retailer contributed more than 2% of our rental income, and 99% of our rental income was derived from contracted base rent increases.

Redevelopment Capability and Redevelopment Program. We have an ongoing development and redevelopment program for our Westfield Living Centre portfolio with the objective of achieving strong market penetration and ensuring our Westfield Living Centres remain relevant to both retailers and consumers. The capital invested in redeveloping our Westfield Living Centres have contributed to the high quality of our assets, which have evolved to meet changing consumer preferences and have enhanced their ability to weather economic downturns.

Our redevelopment capabilities are vertically integrated and involve the development, design, construction and leasing of shopping centers, which allows us to control design and construction costs and amend or alter redevelopment plans during the course of construction, if necessary. Redevelopments are designed to maximize returns on investment from both increased rental income and capital appreciation of the asset. We have extensive experience and a solid track record of completing projects on time and within budget. We believe that we can continue to successfully develop and redevelop our Westfield Living Centre portfolio, and that our development and redevelopment program enhances our internal growth potential and ensures that our Westfield Living Centres remain competitive in their existing markets.

Financial Strength. We believe our financial strength provides us with an advantage over many of our competitors. The foundation of our financial strength is our portfolio of high quality properties, which provides us with a diverse revenue base and strong cash flows. Our financial strength gives us the ability to take advantage of development, redevelopment and other investment opportunities when they arise and has afforded us consistent access to debt and equity markets to fund these activities.

We are rated "A" (outlook negative) by S&P, "A2" (outlook negative) by Moody's and "A" (outlook negative) by Fitch. As of December 31, 2019, on a consolidated basis, we had A$15.4 billion of committed financing facilities and total available liquidity of A$1.8 billion made up of undrawn, predominantly long term, unsecured committed bank loan facilities of A$1.6 billion and cash and cash equivalents of A$253.0 million. We have since obtained A$1.9 billion in additional unsecured bank facilities that increased our available liquidity position to A$3.1 billion as of April 1, 2020. See "Summary—Recent Developments—Liquidity Management."

Experienced Management Team. Our management team has extensive experience in the retail real estate industry, including experience in the acquisition, disposition, leasing, management, financing, redevelopment and development of real estate assets and managing relationships with joint venture partners. The operating platform includes a highly experienced Australian and New Zealand operational management team of senior corporate executives.

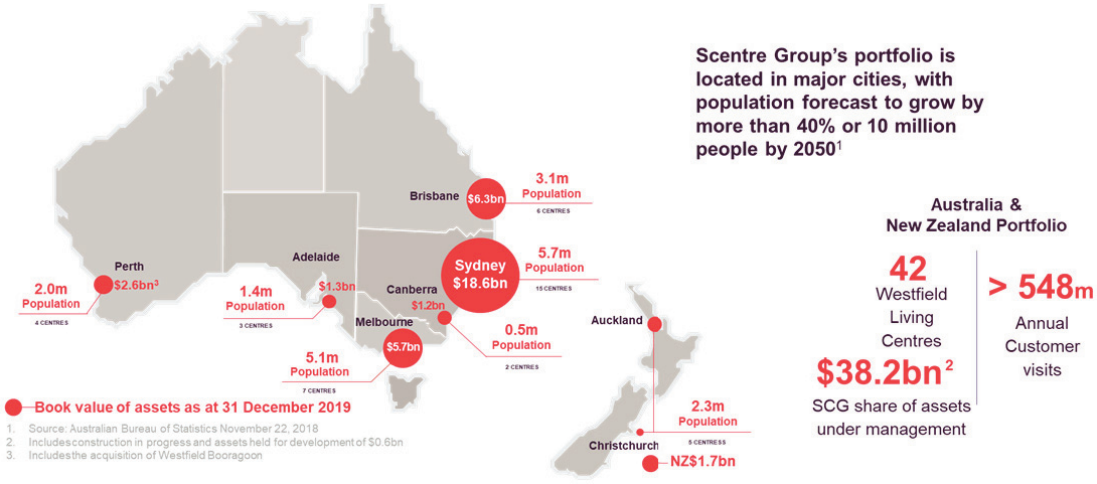
Property Portfolio

Our Westfield Living Centres are geographically diversified across major cities in Australia and New Zealand, located in prime trade areas in major cities, anchored by long term tenancies with major retailers with a diversified mix of specialty, national and international retailers.

As of December 31, 2019, the majority of our portfolio was located in Australia, with 37 Westfield Living Centres representing 96% of the portfolio by book value of our proportional interest in our shopping centers. As of December 31, 2019, our portfolio in New Zealand comprised five Westfield Living Centres representing 4% of the portfolio by book value of our proportional interest.

Our portfolio includes seven of the top ten shopping centers in Australia and four of the top five shopping centers in New Zealand. More than 33% of our portfolio generated annual retail sales greater than A$1 billion, and more than 80% generated annual retail sales of greater than A$500 million, for the year ended December 31, 2019. Our portfolio includes pre-eminent shopping centers such as Westfield Sydney, Westfield Bondi Junction, Westfield Miranda and Westfield Parramatta in Sydney, Westfield Chermside in Brisbane, Westfield Doncaster in Melbourne and Westfield Marion in Adelaide. Each of these assets achieved annual specialty store sales productivity in excess of A$11,600 per square meter and total annual sales in excess of A$840 million for the year ended December 31, 2019. These flagship centers continue to be leading destinations of choice for both domestic and international retailers.

The following map shows the location of our portfolio and book value of our proportional interest (all assets are managed by us):



Our shopping center investments are undertaken on both a wholly owned basis and through joint ventures and co-ownership arrangements. In the future, we may introduce additional joint venture partners into some of our wholly owned assets or sell assets outright and redeploy the capital into the development program or to repay debt.

The following table summarizes our portfolio as of December 31, 2019:

	Total
Portfolio summary as of December 31, 2019	
Westfield Living Centres Scentre Group owns interests in	42
Westfield Living Centres Scentre Group holds through joint ventures and co-ownership arrangements	30
Retail outlets	12,308
GLA (million sqm)	3.9
Scentre Group interests (billion)(1)	A$ 38.2
JV partner interests (billion)(1)	A$ 17.8
Assets under management (billion)(1)	A$ 56.0
Scentre Group's share of assets under management (%)	68%
Percentage leased (%)	99.3%

(1) Includes construction in progress and assets held for redevelopment.

The following table sets forth key operating statistics for our shopping portfolio (including part-owned shopping centers on a 100% basis, unless otherwise noted):

Key Operating Statistics

	As of and for the year ended December 31,		
	2019	2018	2017
Portfolio leased rate (%)	99.3	99.3	>99.5
Leases			
Weighted average unexpired lease term (years)	6.0	5.9	6.0
Number of lease deals completed	2,566	2,686	2,466
—Aggregate GLA leased (square meters)	420,239	444,320	345,570
—Aggregate GLA leased (square feet)	4,523,411	4,782,616	3,719,681
Largest Retailer			
% of total GLA occupied (%)	10.9	11.2	11.4
% of total rental income (%)	2.7	2.7	2.7
Ten Largest Specialty Retailer Groups (by GLA)			
% of total GLA occupied (%)	8.2	8.1	7.9
% of total rental income (%)	9.8	9.9	10.2
Rental Income(1)			
% directly related to retailer sales (%)	1.0	1.0	1.0
% derived from minimum rent at contracted levels (%)	99.0	99.0	99.0

(1) Our share.

Operations

In addition to shopping center ownership, our vertically integrated operations encompass property management and leasing, property development, design and construction, and funds and asset management.

Property Management, Marketing and Leasing

Property management involves day-to-day management, leasing and marketing of our Westfield Living Centres as well as the next generation of new income opportunities.

We aim to maximize income and capital growth by creating an efficient and highly productive (by annual retail specialty sales per square meter) environment for retailers and a superior experience for consumers. We work closely with retailers to provide a superior shopping experience and to develop strong relationships with consumers through various marketing initiatives, including supporting the local community surrounding each Westfield Living Centre.

Our portfolio of 42 Westfield Living Centres comprises approximately 12,308 outlets across 3.9 million square meters of gross lettable area as of December 31, 2019. Our property management capabilities are strengthened by the scale, quality and geographic diversification of our portfolio across major cities in Australia and New Zealand, which, in our view, provides a unique platform to engage with our retailers, consumers and marketing partners. We believe that our portfolio attracts a superior mix of national and international retailers.

Development, Design and Construction

Our development capabilities include all elements of development, design, construction and project leasing for shopping centers in Australia and New Zealand.

We focus on the redevelopment and expansion of our Westfield Living Centres to ensure they remain highly productive (by annual retail specialty sales per square meter), attract leading retailers and provide a high quality experience for consumers. Our most recent redevelopments showcase an innovative approach to design with an emphasis on integrating food, fashion, leisure and entertainment with the latest digital and other emerging technology, including the portfolio wide deployment of our Digital SmartScreen network, Westfield Plus mobile phone app and ticketless parking.

Our projects under construction as of December 31, 2019 included the A$50 million (Scentre Group share: A$16 million) project at Westfield Carindale in Brisbane, Australia. We expect to complete this project in 2020. During 2019, we also commenced special projects, including the A$30 million (Scentre Group share: A$15 million) expansion and refurbishment of the level 2 dining precinct at Westfield Doncaster and the A$38 million (Scentre Group share: A$38 million) new format Myer and new specialty stores at Westfield Belconnen. At December 31, 2019, we had also started construction of a A$55 million (Scentre Group share: A$27.5 million) rooftop entertainment, leisure and dining precinct at Westfield Mt Druitt in Sydney, Australia. We have since deferred this project as a result of the impact of COVID-19.

In 2019, we completed the NZ$790 million (Scentre Group share: NZ$400 million) redevelopment at Westfield Newmarket in Auckland, New Zealand, and the A$21 million (Scentre Group share: A$10.5 million) Bradley Street dining precinct at Westfield Woden in Canberra, Australia.

In 2018, we completed a greenfield development at Westfield Coomera in the Gold Coast, Australia (A$470 million) and redevelopments at Westfield Carousel in Perth, Australia (A$350 million), Westfield Plenty Valley in Melbourne, Australia (A$80 million), Westfield Kotara in Newcastle, Australia (A$160 million) and Westfield Tea Tree Plaza in Adelaide, Australia (A$50 million), adding more than 106,000 square meters of GLA.

In 2017, we completed the redevelopment at Westfield Chermside in Brisbane, Australia (A$355 million) and the redevelopment at Westfield Whitford City in Perth, Australia (A$80 million).

We intend to continue investing limited capital and resources in pre-development work on a number of our Westfield Living Centres with strategic development opportunities as we believe they are located in strong, underserved markets with prime opportunities for market share gains through redevelopment and expansion, including nearer term opportunities at Westfield Knox in Melbourne, Australia and Market Street in Sydney, Australia. We are currently undertaking pre-development activity on future development opportunities with an estimated value in excess of A$3.0 billion. In addition, we have potential opportunities for alternative use developments in excess of A$1.5 billion, which may include office, educational and residential projects.

Any decision on the commencement or ongoing capital expenditure on development activity of the above Westfield Living Centres will depend on the feasibility of those projects in the context of the economic environment at the relevant time. As a result of the COVID-19 pandemic, we are reviewing the timeline of our pending redevelopments. See “Summary—Recent Developments—COVID-19.”

Fund and Asset Management

We derive income from funds management activities, including through an annual manager’s service fee from Carindale Property Trust and an annual arranger fee under the terms of property-linked notes over certain of our properties.

Carindale Property Trust is a single asset trust which owns a 50% interest in Westfield Carindale. On February 23, 2016, we announced our intention to increase our investment in Carindale Property Trust subject to prevailing market conditions and the “creep provisions” of the Australian Corporations Act. Between February 23, 2016 and December 31, 2019, we increased our stake from 50.00% to 62.58% of the units of Carindale Property Trust, representing a 31.29% indirect interest in Westfield Carindale.

We established the property-linked notes in 2006. These notes were designed to provide the holders with returns based on the economic performance of certain Australian super regional Westfield Living Centres: Westfield Parramatta and Westfield Hornsby in New South Wales and Westfield Southland in Victoria. The property-linked notes may be redeemed on their review dates (Westfield Parramatta, December 31, 2021, Westfield Southland, December 31, 2022 and Westfield Hornsby, December 31, 2023). On redemption, the obligation to repay the property-linked notes can, in certain circumstances, be satisfied by the transfer of interests in the underlying properties to the noteholders. Under the terms of the property-linked notes, we receive an annual arranger fee for arranging the issue of the property-linked notes. The fair value of the property-linked notes outstanding was A$689.0 million as of December 31, 2019. See "Operating and Financial Review—Liquidity and Capital Resources—Gearing Policy and Debt Facilities."

Our total assets under management are valued at A$56.0 billion as of December 31, 2019. This figure includes A$17.8 billion of external assets under management, as well as construction in progress and assets held for redevelopment.

The following tables set out certain information regarding our properties as of December 31, 2019:

AUSTRALIAN PROPERTY INFORMATION

As of December 31, 2019

Property/Location	Acquisition Date	Percentage Ownership Interest	Book Value(1) (in A$ millions)	Retail Sales(2) (in A$ millions)	Total GLA(2) (sqm in thousands)	No. of Tenants	Annual Visits(2) (millions)
Belconnen							
Canberra	1986/2003	100.0%	890.0	538.8	96.1	277	11.0
Woden							
Canberra	2005	50.0%	350.0	377.9	72.9	244	9.9
Australian Capital Territory			**A$ 1,240.0**				
Bondi Junction							
Sydney	1994/1998/2001	100.0%	3,305.9	1,172.2	131.3	469	20.8
Burwood							
Sydney	1992	50.0%	575.1	494.1	63.2	236	14.4
Chatswood							
Sydney	1993	100.0%	1,407.4	563.7	81.1	257	18.3
Eastgardens							
Sydney	2018	50.0%	720.0	608.2	82.7	279	11.7
Hornsby							
Sydney	1961/1982/1996	100.0%	1,095.3	679.3	99.5	317	17.6
Hurstville							
Sydney	1988	50.0%	442.5	565.2	61.2	250	19.6
Kotara							
Newcastle	2003	100.0%	1,080.0	495.0	82.4	280	8.3
Liverpool							
Sydney	1983	50.0%	545.1	511.8	82.5	333	14.8
Miranda							
Sydney	1982	50.0%	1,316.0	966.7	128.3	444	15.4
Mt Druitt(3)							
Sydney	2000	50.0%	322.5	414.5	60.4	232	12.0
Parramatta							
Sydney	1993/1999	50.0%	1,109.4	879.6	137.2	457	33.5
Penrith							
Sydney	2005	50.0%	757.5	691.6	91.3	322	17.2
Sydney(4)							
Sydney	2001/2004	100.0%	4,220.0	1,271.7	91.7	297	42.0
Tuggerah							
Central Coast, NSW	1994	100.0%	810.0	484.4	83.3	251	9.4
Warringah Mall							
Sydney	2003/2012	50.0%	925.0	746.5	131.6	381	12.4
New South Wales			**A$18,631.7**				

Property/Location	Acquisition Date	Percentage Ownership Interest	Book Value(1) (in A$ millions)	Retail Sales(2) (in A$ millions)	Total GLA(2) (sqm in thousands)	No. of Tenants	Annual Visits(2) (millions)
Carindale(3)(5)							
Brisbane	1999	50.0%	840.1	894.8	136.2	404	14.0
Chermside							
Brisbane	1996	100.0%	2,838.5	1,055.4	177.4	489	17.7
Coomera(4)							
Gold Coast	2018	50.0%	210.5	233.7	58.2	160	6.7
Garden City							
Brisbane	2003/2012	100.0%	1,740.0	814.5	142.4	397	18.1
Helensvale							
Gold Coast	2005	50.0%	225.0	329.1	44.9	186	7.2
North Lakes							
Brisbane	2003	50.0%	484.0	702.1	115.0	277	12.4
Queensland			**A$ 6,338.1**				
Marion							
Adelaide	1987	50.0%	680.0	847.9	136.7	325	13.3
Tea Tree Plaza							
Adelaide	1988	50.0%	399.5	543.1	99.3	259	11.3
West Lakes							
Adelaide	2004	50.0%	240.5	416.8	71.2	243	7.1
South Australia			**A$ 1,320.0**				
Airport West							
Melbourne	1982	50.0%	206.5	363.4	53.0	169	7.4
Doncaster							
Melbourne	1993/1997	50.0%	1,266.0	945.2	122.7	432	15.5
Fountain Gate							
Melbourne	1995/1997	100.0%	2,285.0	1,071.4	178.1	448	15.2
Geelong							
Geelong	2003	50.0%	268.5	279.6	51.6	171	8.6
Knox							
Melbourne	2003/2012	50.0%	577.5	635.9	142.0	409	13.5
Plenty Valley							
Melbourne	2004	50.0%	263.0	418.1	63.4	195	8.7
Southland							
Melbourne	1988	50.0%	850.0	857.0	129.0	385	14.6
Victoria			**A$ 5,716.5**				
Booragoon(6)							
Perth	2019	50.0%	570.0	N/A	72.9	258	N/A
Carousel							
Perth	1996	100.0%	1,450.0	660.3	109.8	362	13.8
Innaloo							
Perth	1996	100.0%	310.0	339.2	47.0	168	8.2
Whitford City							
Perth	2004	50.0%	297.5	478.5	85.1	291	7.1
Western Australia			**A$ 2,627.5**				
Total Australian Portfolio			**A$35,873.8**	**A$23,346.5**	**3,612.5**	**11,354**	**508.5**

(1) Book value reflects our ownership share.

(2) Total does not sum due to rounding.

(3) Properties currently under redevelopment.

(4) Sydney comprises Sydney Central Plaza and the Sydney City retail complex.

(5) Carindale Property Trust has a 50% interest in this shopping center. Carindale Property Trust has a 50% interest in this Westfield Living Centre. As of December 31, 2019, we had a 62.58% interest in Carindale Property Trust, representing a 31.29% indirect interest in Westfield Carindale.

(6) In December 2019, we acquired a 50% interest in Westfield Booragoon.

NEW ZEALAND PROPERTY INFORMATION

As of December 31, 2019

Property/Location	Acquisition Date	Percentage Ownership Interest	Book Value(1) (in NZ$ millions)	Retail Sales(2) (in NZ$ millions)	Total GLA(2) (sqm in thousands)	No. of Tenants	Annual Visits(2) (millions)
Albany							
Auckland	2007	51.0%	316.2	416.9	53.3	145	8.3
Manukau							
Auckland	1998/2001	51.0%	220.3	308.4	45.2	187	8.1
Newmarket(3)							
Auckland	2002/2004	51.0%	621.6	N/A(4)	88.2	258	3.6(4)
Riccarton							
Christchurch	1998	51.0%	334.1	531.4	55.3	193	12.6
St Lukes							
Auckland	1998	51.0%	247.4	359.5	39.8	171	7.0
Total New Zealand Portfolio			**NZ$ 1,739.6**	**NZ$ 1,745.3**	**281.8**	**954**	**39.5**
Exchange Rate			**1.0423**	**1.0553**			
Total New Zealand Portfolio in A$			**A$ 1,669.0**	**A$ 1,653.8**			
Total Australia & New Zealand Portfolio			**A$ 37,542.8**	**A$ 25,000.3**	**3,894.3**	**12,308**	**548.0**

(1) Book value reflects our ownership share.
(2) Total does not sum due to rounding.
(3) Redevelopment completed during the year.
(4) Part year of trading.

Operating Data. The following operating data is presented with respect to our properties:

- anchors;
- specialty stores;
- sales;
- leased rate;
- occupancy costs;
- percentage of rent related to sales;
- specialty store lease expirations; and
- average specialty shop (less than 400 square meters) rental rates.

Anchors. Generally, anchors are major stores whose merchandise appeals to a broad range of shoppers and traditionally have been a significant factor in the public's perception of a Westfield Living Centre. The following table lists anchors with their broad trading categories, the number of stores leased by each anchor, anchor GLA and anchor GLA as a percentage of total retail GLA as of December 31, 2019:

Anchor	Number of Anchor Stores	Anchor GLA (sqm in thousands)	Anchor GLA as a Percentage of Retail GLA
Department Stores			
Myer	23	411.0	10.9%
David Jones	19	244.7	6.5%
Farmers	5	41.2	1.1%
Harris Scarfe	10	29.5	0.8%
Sub total	**57**	**726.4**	**19.3%**
Discount Department Stores			
Target	33	247.3	6.6%
Kmart	28	195.4	5.2%
BIG W	19	154.6	4.1%
Sub total	**80**	**597.3**	**15.8%**
Supermarkets			
Coles	36	141.3	3.7%
Woolworths	33	139.5	3.7%
Aldi	18	27.5	0.7%
Countdown	3	11.3	0.3%
Pak N Save	1	6.3	0.2%
Spudshed	1	4.7	0.1%
New World	1	3.4	0.1%
Sub total	**93**	**333.9**	**8.9%**
Cinemas			
Event Cinemas	18	107.6	2.9%
Hoyts	11	55.2	1.5%
Village Roadshow	6	38.5	1.0%
Birch Carroll & Coyle	2	14.2	0.4%
Reading Cinemas	1	4.3	0.1%
Sub total	**38**	**219.8**	**5.8%**
Other			
Harvey Norman	5	25.9	0.7%
Bunnings Warehouse	3	17.8	0.5%
Dan Murphy's	7	9.8	0.3%
Sub total	**15**	**53.5**	**1.4%**
Total	**283**	**1,930.9**	**51.2%**

Anchor retailers occupied approximately 51% of the total GLA as of December 31, 2019, and contributed approximately 17% of the total rental income, with no single tenant contributing more than 3% of such total rental income.

Other Stores. The following table sets forth with respect to the ten largest specialty store retailers, by way of either common trading name or through their various operating divisions, the number of specialty stores leased, their store GLA and their GLA as a percentage of total retail GLA, as of December 31, 2019:

Retailers	Number of Stores Leased	Store GLA (sqm in thousands)	Percentage of Retail GLA
Super Retail Group(1)	44	58.1	1.5%
Cotton On Group(2)	154	47.7	1.3%
JB Hi-Fi(3)	35	41.5	1.1%
The Just Group(4)	219	31.2	0.8%
H&M	11	29.2	0.8%
Best & Less	20	21.6	0.6%
ZARA	10	21.2	0.6%
Country Road Group(5)	91	20.9	0.6%
Australian Pharmaceutical Industries(6)	51	19.8	0.5%
Mosaic Brands Ltd(7)	126	19.0	0.5%
Total	**761**	**310.2**	**8.2%**

(1) Super Retail Group includes Rebel Sport, Macpac and Supercheap Auto.
(2) Cotton On Group includes Cotton On, Cotton On Kids, Cotton On Body, Typo, Rubi Shoes, Factorie and Supre.
(3) JB Hi-Fi includes JB Hi-Fi and JB Hi-Fi Home.
(4) The Just Group includes Just Jeans, Jay Jays, Jacqui E, Peter Alexander, Portmans, Dotti and Smiggle.
(5) Country Road Group includes Country Road, Trenery, Witchery, Mimco and Polotix.
(6) Australian Pharmaceutical Industries includes Priceline, Priceline Pharmacy, Soul Pattinson Chemist and Clear Skincare Clinics.
(7) Mosaic Brands Ltd includes Noni B, Rockmans, W Lane, Beme, Millers, Katies, Crossroads, Rivers and Autograph.

Specialty retailers refer to retail stores that are not classified as anchors.

Total specialty retailers represent approximately 49% of total GLA and approximately 83% of the total rental income, as of December 31, 2019.

Our ten largest specialty store retailers occupied approximately 8.2% of the total retail GLA as of December 31, 2019 and contributed approximately 9.8% of the total rental income for the year ended December 31, 2019, with no single tenant contributing more than 2% of such total rental income.

Sales. Total sales for retailers affect our revenue and profitability levels because they determine the amount of minimum rent we can charge, the percentage rent we realize (which currently is minimal), and the recoverable expenses (common area maintenance, real estate taxes, etc.) the retailers can afford to pay. The table below sets out total retailer sales and the percentage change for the periods presented on a previous corresponding period basis.

	Portfolio	
Year Ended	Total Sales (in billions)	Percentage Change
December 31, 2019(1)	A$25.0	1.9%
December 31, 2018(2)	A$24.0	1.3%
December 31, 2017(2)	A$23.1	1.0%

(1) Percentage change is calculated on a total dollar basis, on stable shopping centers.
(2) Percentage change is calculated on a per square meter basis, on stable shopping centers.

Reported sales per square meter for specialty store (less than 400 square meters) retailers and percentage change in total comparable sales for the periods presented were as follows:

	Portfolio		
	Year Ended December 31,		
	2019	2018	2017
Reported specialty shop (less than 400 square meters) sales per square meter	A$11,303	A$11,245	A$11,201
Change in comparable specialty shop/store sales from prior period(1)	1.3%	1.5%	1.0%

(1) The basket of comparable shopping centers can vary from year to year.

Leased Rate. Leased rate is calculated on the basis of signed or agreed leases. Anchors lease their space and, therefore, the leased rate includes anchor GLA. The following table sets out the leased rate as of the dates presented:

	December 31, 2019	December 31, 2018	December 31, 2017
Leased Rate	99.3%	99.3%	>99.5%

Occupancy Costs. Management believes that in order to continue to increase net profit, specialty store (less than 400 square meters) retailers must be able to operate profitably. A major factor contributing to retailer profitability is cost of occupancy. The following table sets out occupancy costs as a percentage of sales for reporting specialty store (less than 400 square meters) retailers for the periods presented:

	Year Ended December 31,		
	2019	2018	2017
Occupancy costs as a percentage of sales	18.0%	18.0%	18.0%

Percentage of Rent Related to Sales. The following table sets forth the percentage of our annual rental income which was derived from base rent at contracted levels under leases and the percentage which was directly related to the level of retailer sales, for all retailers for the periods presented:

	Year Ended December 31,		
	2019	2018	2017
Contracted base rent	99.0%	99.0%	99.0%
Percentage rent based on retailer sales	1.0%	1.0%	1.10%
Total	**100.0%**	**100.0%**	**100.0%**

Total Store Lease Expirations. The following table sets out a summary of scheduled lease expirations for total store leases in place and the percentage of total GLA represented by the expiring leases as of December 31, 2019:

Year Ending December 31,	Number of Leases Expiring	Total GLA of Expiring Leases (Sq meters in thousands)	Percentage of Total GLA Represented by Expiring Leases
2020	2,155	384.8	10.5%
2021	1,845	312.5	8.5%
2022	1,448	358.6	9.8%
2023	1,509	322.7	8.8%
2024	1,305	271.6	7.4%
2025	559	252.5	6.9%
2026	341	170.7	4.7%
2027	129	123.7	3.4%
2028	88	96.7	2.6%
2029	56	138.1	3.8%

Specialty Store Lease Expirations. The following table sets out a summary of scheduled lease expirations for specialty store leases in place and the percentage specialty store GLA represented by the expiring leases as of December 31, 2019:

Year Ending December 31,	Number of Specialty Store Leases Expiring	Specialty Store GLA of Expiring Leases (Sq meters in thousands)	Percentage of Specialty Store GLA Represented by Expiring Leases
2020	2,136	285.8	16.6%
2021	1,831	251.1	14.6%
2022	1,428	199.5	11.6%
2023	1,493	200.0	11.6%
2024	1,288	174.5	10.1%
2025	539	96.4	5.6%
2026	329	102.2	5.9%
2027	119	60.8	3.5%
2028	75	40.7	2.4%
2029	47	43.4	2.5%

Average Specialty Shop Rental Rates. The following table sets out the average annual base rent on a per square meter basis for specialty shops (less than 400 square meters) as of the dates presented and annual growth in Comparable Net Property Income expressed as a percentage:

	Average Annual Base Rent per Square Meter	Comparable Net Property Income Growth
As of December 31,	Portfolio	
2019	A$1,689	2.00%
2018	A$1,654	2.50%
2017	A$1,622	2.75%

Redevelopment and Development

Our projects under construction as of December 31, 2019 included the A$50 million (Scentre Group share: A$16 million) project at Westfield Carindale in Brisbane, Australia. We expect to complete this project in 2020.

During 2019, we also commenced special projects, including the A$30 million (Scentre Group share: A$15 million) expansion and refurbishment of the level 2 dining precinct at Westfield Doncaster and the A$38 million (Scentre Group share: A$38 million) new format Myer and new specialty stores at Westfield Belconnen. At December 31, 2019, we had also started construction of a A$55 million (Scentre Group share: A$27.5 million) rooftop entertainment, leisure and dining precinct at Westfield Mt Druitt in Sydney, Australia. We have since deferred this project as a result of the impact of COVID-19.

In 2019, we completed the NZ$790 million (Scentre Group share: NZ$400 million) redevelopment at Westfield Newmarket in Auckland, New Zealand, and the A$21 million (Scentre Group share: A$10.5 million) Bradley Street dining precinct at Westfield Woden in Canberra, Australia.

In 2018, we completed a greenfield development at Westfield Coomera in the Gold Coast, Australia (A$470 million) and redevelopments at Westfield Carousel in Perth, Australia (A$350 million), Westfield Plenty Valley in Melbourne, Australia (A$80 million), Westfield Kotara in Newcastle, Australia (A$160 million) and Westfield Tea Tree Plaza in Adelaide, Australia (A$50 million), adding more than 106,000 square meters of GLA.

In 2017, we completed the redevelopment at Westfield Chermside in Brisbane, Australia (A$355 million) and the redevelopment at Westfield Whitford City in Perth, Australia (A$80 million).

New Projects

We intend to continue investing limited capital and resources in pre-development work on a number of our Westfield Living Centres with strategic development opportunities as we believe they are located in strong, underserved markets with prime opportunities for market share gains through redevelopment and expansion, including nearer term opportunities at Westfield Knox in Melbourne, Australia and Market Street in Sydney, Australia. We are currently undertaking pre-development activity on future development opportunities with an estimated value in excess of A$3.0 billion. In addition, we have potential opportunities for alternative use developments in excess of A$1.5 billion, which may include office, educational and residential projects.

Any decision on the commencement or ongoing capital expenditure on development activity of the above Westfield Living Centres will depend on the feasibility of those projects in the context of the economic environment at the relevant time. As a result of the COVID-19 pandemic, we are reviewing the timeline of our pending redevelopments. See “Summary—Recent Developments—COVID-19.”

Policies and Objectives With Respect to Investments, Financing and Other Activities

Investment Objectives and Policies

In general, our investment objectives are:

- to increase our value through increases in the cash flows and values of our Westfield Living Centres; and
- to achieve long-term capital appreciation, and preserve and protect the value of our interests in our Westfield Living Centres.

We plan to invest primarily in super-regional and regional shopping centers close to or in major metropolitan areas. We plan to invest in properties both for income and for capital appreciation. In connection with future acquisitions, we will analyze other factors, including:

- the strategic nature of the acquisition;
- the impact on earnings per share;
- long-term investment returns;

- the location and accessibility;
- demographic profile;
- redevelopment potential of the property;
- the purchase price;
- the current and historical leased rates of the shopping centers and of comparable properties in comparable locations;
- the characteristics of tenants, including anchor tenants, and the terms of their leases;
- the quality of the construction and design of improvements; and
- the relationship or fit of the shopping center with the other assets owned by us.

Dispositions

Our management regularly reviews our shopping center portfolio. From time to time, we may dispose all or part of our interest in a shopping center if, based on management's review, our board of directors determines that such action would be in the best interests of Scentre Group. However, our ability to dispose of certain joint venture properties is subject to contractual limitations.

Financing

As of December 31, 2019, our leverage ratio on a look-through basis, was 33.0%. We intend to maintain a leverage ratio in the mid 30% range over the long term. Our real estate assets are the primary component of our total assets. As a result, upward or downward revaluations of our real estate assets may affect our leverage ratio. We may from time to time reevaluate our policy with regard to our leverage ratio in light of then-prevailing economic conditions, relative costs of debt and equity capital, changes in our market capitalization, growth and acquisition opportunities or other factors, and modify our leverage policy accordingly. As a result, we may increase our leverage ratio beyond the limits described above.

None of our organizational documents limit the amount of indebtedness that we may incur. However, certain of our financing agreements, including the indenture that will govern the Notes, contain certain financial covenants, including leverage ratio covenants. As of December 31, 2019, our leverage ratio, calculated in accordance with the leverage ratio covenant of Net Debt to Net Assets to be contained, and as those terms will be defined, in the indenture that will govern the Notes was 33.9%.

If our board determines that additional funding is required, we may raise such funds through equity offerings, hybrid equity raisings, debt financing, the disposal of or joint venturing of properties, the establishment of wholesale funds managed by us which will hold interests in certain of our properties, the retention of operating cash flow or a combination of these methods, subject to restrictions under applicable law and our debt agreements, including limitations under the indenture that will govern the Notes.

Future indebtedness that we incur may be in the form of publicly or privately placed debt instruments, financing from banks, institutional investors or other lenders, any of which indebtedness may be unsecured or may be secured by mortgages or other interests in our assets. Such indebtedness may be recourse, non-recourse or cross-collateralized and, if subject to recourse, such recourse may include our general assets and, if non-recourse, may be limited to the particular property or properties to which the indebtedness relates. In addition, we may invest in properties subject to existing loans secured by mortgages, deeds of trust or similar liens on the properties, or may refinance properties acquired on a leveraged basis. The proceeds from any borrowings by us may be used for working capital, to purchase additional interests in joint ventures or partnerships in which we participate, to refinance existing indebtedness or to finance acquisitions, expansions or redevelopment of new and existing properties. We may also incur indebtedness for other purposes when, in the opinion of our board, it is advisable to do so.

Master Negative Pledge Deed Poll

SGL and the Responsible Entities have entered into a Master Negative Pledge Deed Poll, or Master Negative Pledge, which contains certain undertakings and financial covenants, representations and warranties by SGL and the Responsible Entities in respect of themselves and certain other controlled entities. The Master Negative Pledge is given for the benefit of each present and future "finance party." The term "finance party" is defined as any person designated as a finance party for the purposes of the Master Negative Pledge in a finance document. To the extent that a document relating to our financing arrangements is designated as a finance document and the bank or financial institution providing such arrangements to us is designated a finance party, such bank or financial institution will be entitled to the benefits of the Master Negative Pledge. The holders of the Notes will not be designated as finance parties and, therefore, will not be entitled to the benefits of the Master Negative Pledge. The Master Negative Pledge also sets forth the basis upon which defaults or events of default may occur under the financing arrangements of the obligors to the Master Negative Pledge and the acceleration rights of lenders in that event. The undertakings contained in the Master Negative Pledge include, among others:

- the provision of certain financial statements;
- maintenance of certain financial ratios;
- maintenance of certain insurance;
- compliance with laws;
- limitations on our ability to enter into any merger or consolidation, subject to certain exceptions;
- limitations on the creation of liens other than permitted liens;
- certain trust-related undertakings given by the Responsible Entities with respect to SGT1, SGT2 and SGT3; and
- limitations on the sale, transfer or disposal of assets, subject to certain exceptions.

Master Guarantee Deed Poll

In addition to the Master Negative Pledge, SGL, SGT1, SGT2, SGT3, Scentre Finance (Aust) Limited and RE (NZ) Finance Limited entered into a Master Guarantee Deed Poll, or Master Guarantee, pursuant to which SGL, SGT1, SGT2 and SGT3 jointly and severally and those subsidiaries of SGL, SGT1, SGT2, SGT3, Scentre Finance (Aust) Limited and RE (NZ) Finance Limited jointly and severally agreed to unconditionally and irrevocably guarantee the monetary obligations of a "debtor" to a "guarantee beneficiary." The term "debtor" is defined initially as the finance subsidiaries of SGL, SGT1, SGT2 and SGT3. The term "guarantee beneficiary" is defined as any person designated as a "guarantee beneficiary" for the purposes of the Master Guarantee in respect of a finance document. As in the case of the Master Negative Pledge, to the extent that a document or instrument relating to our financing or hedging arrangements is designated as a finance document and each bank, financial institution or other person is designated as a guarantee beneficiary, such bank, financial institution and other person will be entitled to the benefits of the Master Guarantee. In addition, each debtor guarantees the monetary obligations of the other debtors to a guarantee beneficiary.

The indenture that will govern the Notes will not be designated as a finance document and, as a result, holders of the Notes will not be entitled to the benefits of the Master Guarantee. However, as the obligations of the Issuers under the documentation constituting the Notes will be guaranteed jointly and severally by each of SGL, SGT3, Scentre Finance (Aust) Limited and RE (NZ) Finance Limited, holders of the Notes will have the benefit of the credit of those guarantors.

Equity Capital

In the event that our board of directors determines to raise additional equity capital, it has the authority, subject to limits under the ASX Listing Rules and ASIC policy, without approval of its security holders, to issue

additional stapled securities on such terms and for such consideration that it deems appropriate, including in exchange for property.

Working Capital

We will maintain working capital and, when not sufficient, access borrowings, in amounts that our management determines to be adequate to meet normal contingencies in connection with the operation of our business and investments.

Distribution Policy

Distributions paid by us will comprise dividends from SGL and distributions from each of SGT1, SGT2 and SGT3. Our distribution policy will be to pay out up to 100% of FFO after allowing for retentions to fund capital expenditure requirements as determined from time to time, and is subject to review by our board of directors at its discretion, including in relation to general business and financial conditions. Our distribution policy is also subject to the satisfaction of any balance sheet solvency requirements under Australian and New Zealand law.

We have determined to not pay an interim distribution for the half-year period ending June 30, 2020. We believe that the retaining of this capital in light of the COVID-19 pandemic will further strengthen our financial position and our ability to continue to deliver long term returns to our securityholders.

A key aim of this distribution policy is to provide greater overall returns to our investors through appropriate capital management. The flexibility to vary the distribution provides financial capacity to continue to invest in opportunities with strong returns. Our board of directors may determine in the future to revise our distribution policy based on a number of factors, including our financial condition and future earnings, capital requirements and future prospects.

Westfield Trademark Licensing Agreement

Westfield Corporation owns the Westfield brand. At the time of our formation in 2014, we entered into a trademark licensing agreement in which Westfield Corporation granted us an exclusive, continuing and royalty free license to exclusively use the Westfield brand in Australia and New Zealand for our existing shopping center portfolio and any new shopping centers in Australia and New Zealand that meet certain agreed characteristics. Under the trademark license, Westfield Corporation may not use, and may not permit any other person to use, the Westfield brand in Australia and New Zealand, except for the corporate promotion of Westfield Corporation. In June 2018, Westfield Corporation was subsequently acquired by Unibail-Rodamco-Westfield SE. Neither Westfield Corporation nor its parent, Unibail-Rodamco-Westfield SE, is restricted from entering the Australian and New Zealand markets with different branding.

Competition

We face competition from other Australian and New Zealand property groups and other commercial organizations active in the Australian and New Zealand property markets, online retailers, as well as the threat of new competitors emerging both generally and in particular trade areas, including Amazon, which launched its Australian operations in late 2017. Competition in the property market may lead either to an over-supply of retail premises through over-development or to prices for existing properties or land for development being inflated through competing bids by potential purchasers or to the maximum rents to be achieved from existing properties being adversely impacted. Accordingly, the existence of such competition may have a material adverse impact on our ability to secure tenants for our properties at satisfactory rental rates and on a timely basis and to acquire properties or develop land at satisfactory cost.

In addition, a majority of our shopping centers are located in developed retail and commercial areas, many of which compete with other malls or neighborhood shopping centers within their primary trade area. The

amount of rentable space in the relevant primary trade area, the quality of facilities and the nature of stores at such competing shopping centers could each have a material adverse effect on our ability to lease space and on the level of rents we can obtain. In addition, retailers at the shopping centers face increasing competition from other forms of retailing, such as discount shopping centers and clubs, outlet malls, catalogues, video and home shopping networks, and direct mail, telemarketing and online shopping. Further, we compete with other real estate investors for acquisition of new retail shopping centers.

Insurance

We carry liability, business interruption, fire and earthquake insurance covering all of our properties under various policies. With respect to terrorism, we carry insurance in New Zealand and have access to the Australian Terrorism Reinsurance Scheme, which is an Australian government scheme that provides cover for eligible terrorism losses in Australia. However, potential losses of a catastrophic nature such as those arising from floods, earthquakes, terrorism or other similar catastrophic events may be either uninsurable, or, in our judgment, not insurable on a financially reasonable basis, or may not be insured at full replacement cost or may be subject to larger excesses. We believe the policy specifications and insured limits are appropriate given the relative risk of loss, the cost of the coverage and industry practice and, in the opinion of our management, our properties are adequately insured. Insurance policies are subject to normal exclusions. In addition, we carry earthquake insurance on our properties located in seismically active areas in an amount and with deductibles that we believe are commercially reasonable.

Environmental Regulation

As an owner, operator and manager of real property, we are subject to various federal, state, provincial and local environmental and safety laws. Among other things, these laws impose liability on present and former property owners and operators for costs and damages related to soil and water contamination from hazardous or toxic substances. Such laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence or release of such hazardous or toxic substances. This means that we could be liable for contamination caused by tenants or for contamination that occurred prior to the purchase of a property. The presence of these substances, or the failure to remediate such property, may adversely affect our ability to sell such property or to borrow using such property as collateral, and may cause us to incur substantial cleanup costs. Persons who arrange for the disposal of hazardous or toxic substances may also be liable for the costs of removal or remediation at the disposal facility to which such materials were sent.

A number of our properties contain, or at one time contained, underground storage tanks used to store waste oils or other petroleum products primarily related to auto service center establishments, or emergency electrical generation equipment. At some of these properties, site assessments have revealed soil and groundwater contamination associated with such tanks. In the past, the costs of remediation with respect to such matters has not been material. Although we cannot provide assurances, we do not expect these costs will have a material adverse effect on our results of operations.

Environmental and safety laws also regulate the management of, and may impose liability for personal injuries associated with exposure to, asbestos-containing materials. Asbestos-containing materials are present in a number of our shopping centers as a consequence of building practices typical at the time the shopping centers were constructed. Generally, asbestos-containing materials are removed as required in the ordinary course of any renovation, reconstruction, or expansion. If any of the centers undergoes renovation or demolition in the future, we may incur substantial costs for the removal and disposal of such materials.

It is our practice on acquisition, where considered necessary, to subject the properties to Phase I or similar environmental assessment (which generally involves a review of records with no visual inspection of the property or soil or ground water sampling) by independent consultants. These environmental assessments have not revealed, nor are we aware of, any environmental liability that we believe will have a material adverse effect

on our results of operations. Based on these assessments and past experience, we believe that our shopping centers are in material compliance with environmental laws. However, we cannot assure you that:

- existing environmental assessments of our properties reveal all potential environmental liabilities;
- any previous owner, occupant or tenant of a property did not create any material environmental condition not known to us;
- the current environmental condition of our properties will not be affected by tenants and occupants, by the condition of nearby properties, or by other unrelated third parties; or
- changes in environmental laws or their interpretation will not result in environmental liabilities.

Privacy Law

As a collector and user of personal information, we are bound by privacy laws in the jurisdictions in which we operate. In broad terms, this means we must, amongst other obligations:

- comply with applicable legislation in relation to the collection of personal information and obtain consent from the individuals concerned, when required;
- take reasonable steps to protect personal information we hold from misuse, interference, loss and unauthorized access, modification or disclosure, including when we disclose personal information to an overseas recipient;
- take reasonable steps to destroy or to de-identify personal information when it is no longer needed;
- take appropriate steps to provide access to and to correct personal information to ensure that, having regard to the purpose for which it was held, it is accurate, up-to-date, complete, relevant and not misleading; and
- notify, where required to by legislation, individuals affected by a data breach and the relevant regulator.

There are significant consequences to us if we breach these privacy laws, such as: (i) being the subject of investigation, monitoring or enforcement action by a regulator; (ii) being the subject of complaints by individuals to a regulator; and (iii) potentially being subject to prosecution or civil proceedings resulting in significant pecuniary penalties. For example, serious or repeated interferences with privacy (i.e., breaches of the Australian Privacy Act), may attract civil penalties currently of up to A$2.1 million for companies and A$420,000 for individuals. In addition, individuals (whether alone, or as part of a class action) may pursue us for damages in certain cases.

Employees

As of December 31, 2019, we had approximately 2,740 permanent and casual employees. As of May 11, 2020, we had approximately 2,280 permanent and casual employees. We believe that we have good relations with our employees.

Legal Proceedings

We are involved in litigation and administrative proceedings arising in the ordinary course of our business. We do not believe that such matters, if determined against us, will have a material adverse effect on our business, financial position or results of operations.

Responsible, Sustainable Business

As a responsible, sustainable business we are committed to ensuring that we have an efficient and resilient long-term business. Leading our business with a responsible business mindset supports our long-term objective to create sustainable returns for our investors.

Our customers include the communities in which we operate. Our communities are at the heart of our purpose and community engagement is also fundamental to our success as a responsible and sustainable business.

Our Sustainable Business Framework is built into the way we do business and has four pillars: our communities, our people, our environmental impact and our economic performance. Each of these four pillars complements and supports our plan and our interaction with our four key stakeholders.

Our Communities. In connection with our commitment to connecting and enriching communities, during 2019 we:

- continued to expand the reach and impact of our A$1.2 million Westfield Local Heroes program, recognizing individuals who enrich and support our Westfield Living Centre communities;
- implemented community engagement plans for all Westfield Living Centres that set out how we engage, celebrate and contribute to our communities;
- launched our "Elevate" Reconciliation Action Plan for the period 2019-2021; and
- partnered with the Salvation Army to support the Australian bushfire emergency response, including a A$500,000 cash donation to the Salvation Army and in-kind support in our Westfield Living Centres via digital screens, media network and community desks to facilitate fundraising campaigns.

Our People. In connection with our aim to be the place where talent will thrive, during 2019 we:

- embedded a fully integrated Diversity & Inclusion program across our organization;
- were listed as a Workplace Gender Equality Agency (WGEA) Employer of Choice for Gender Equality, with the percentage of women in our management at 44% as of December 31, 2019;
- included in the Bloomberg Gender-Equality Index, one of only nine companies in Australia;
- enhanced our parental leave policy, building on our strong focus on "sharing the caring"; and
- continued to focus on a culture of safety and wellbeing with our "People Protecting People" initiative.

Our Environmental Impact. In connection with our target of net zero emissions across our wholly-owned portfolio by 2030, during 2019 we:

- improved our GRESB score to 81 out of 100 (GRESB was established by a group of large pension funds in 2009 and is a leading environmental social and governance benchmark for real estate and infrastructure investments);
- increased our average portfolio National Australian Built Environment Rating System (NABERS) rating to 4.1;
- launched large scale solar electricity generation with 6 megawatt nameplate capacity (capable of generating up to approximately 9,000 megawatt hours per annum), with a future pipeline in excess of 30 megawatt nameplate capacity (capable of generating greater than 45,000 megawatt hours per annum);
- reduced our carbon emissions intensity by 29% since 2009, with a 2025 target to reduce by a further 35%, with ongoing energy efficiency initiatives, including LED, building management and energy analytic controls and systems; and
- introduced new waste and recycling technology to reduce landfill and improve recycling.

Our Economic Performance. In connection with our goal of delivering long-term sustainable returns through economic cycles, during 2019 we:

- expanded our portfolio of 42 Westfield Living Centres across Australia and New Zealand to more than 12,000 outlets and more than 3.8 million square meters of GLA, estimated to generate employment of more than 140,000 jobs in retail and logistics;

- stimulated significant local economic activity, improving the quality of local infrastructure and social amenities; and
- became a signatory to the Australian Supplier Payment Code, committing to pay eligible Australian small business suppliers on time and within 30 days of receiving a correct invoice, and helping suppliers implement new technologies and practices to speed up invoicing.

MANAGEMENT

Directors and Executive Team

Our boards of directors comprises the boards of directors of Scentre Group Limited and the Responsible Entities, each of which has a common membership.

The following tables set forth certain information regarding our non-executive directors and executive team as of April 30, 2020:

Name	Age	Position(s)
Chairman and Directors:		
Brian M. Schwartz, AM	67	Non-Executive Chairman
Peter K. Allen	58	Executive Director/Chief Executive Officer
Andrew W. Harmos	61	Non-Executive Director
Michael F. Ihlein	64	Non-Executive Director
Carolyn Kay	58	Non-Executive Director
Steven Leigh	57	Non-Executive Director
Margaret Seale	59	Non-Executive Director
Michael Wilkins, AO(1)	63	Non-Executive Director
Executive Team:		
Elliott Rusanow	46	Chief Financial Officer
Alexis Lindsay	47	Director, Corporate Affairs
Paul Giugni	50	General Counsel
Janine Frew	56	Director, Human Resources
John Yates, QPM	61	Director, Security
Ian Irving	57	Director, Design & Construction
Phil McAveety	53	Director, Customer Experience
John Papagiannis	49	Director, Leasing & Retail Solutions and NZ Development & Strategic Asset Management
Richard Webby	52	Director, Technology
Stewart White	53	Director, Development

(1) Mr Wilkins was appointed a non-executive director on our board of directors at our annual general meeting on April 8, 2020.

Biographical information regarding our directors and executive team is set forth below.

Brian M. Schwartz, AM. Mr. Schwartz is a non-executive Chairman of Scentre Group. He is also Chairman of Scentre Group's Nomination Committee. In a career with Ernst & Young Australia spanning more than 25 years, he rose to the positions of Chairman (1996-1998) and then CEO of the firm from 1998 to 2004. From 2005 to 2009, Mr. Schwartz was the CEO of Investec Bank (Australia) Limited. He is a director on the board of Guardian Early Learning Group company, part of Partners Group, a global private markets investment manager, and is the Chair of the Centennial Park and Moore Park Trust. He is a fellow of the Australian Institute of Company Directors and Chartered Accountants Australia and New Zealand. Mr. Schwartz was previously a Chairman of Insurance Australia Group Limited, Deputy Chairman of Westfield Corporation, Deputy Chairman of Football Federation Australia Limited and a director of Brambles Limited.

Peter K. Allen. Mr. Allen is an executive director and Chief Executive Officer of Scentre Group. Prior to the establishment of Scentre Group in 2014, Mr. Allen was an executive director and Chief Financial Officer of Westfield Group. Mr. Allen joined Westfield in 1996 and between 1998 and 2004 was Westfield's CEO of the United Kingdom / Europe and responsible for establishing Westfield's presence in the United Kingdom. Mr. Allen is Chairman of the Shopping Centre Council of Australia and a director of the Victor Chang Cardiac

Research Institute and Essendon Football Club. He is a member of the President's Council of the Art Gallery of New South Wales and is a member of the Property Council of Australia, including his role as a Property Male Champion of Change.

Andrew W. Harmos. Mr. Harmos is a non-executive director and was appointed as a director on the establishment of Scentre Group in June 2014. He is also the Chairman of Scentre Group's Human Resources Committee and a member of the Nomination Committee. Mr. Harmos is one of the founding directors of Harmos Horton Lusk Limited, an Auckland based specialist corporate legal advisory firm, where he specializes in takeover advice and structuring, securities offerings, company acquisitions and disposals and strategic Board and transaction advice. Mr. Harmos holds a Bachelor of Commerce and a Bachelor of Laws (Honors) from The University of Auckland. He is a director of AMP Limited, AMP Bank Limited and AMP Life Limited and The National Mutual Life Association of Australasia Limited. He chairs the Risk Committees of AMP Limited and AMP Bank Limited and the Risk and Audit Committees of AMP Life Limited and The National Mutual Life Association of Australasia Limited. Mr. Harmos was formerly a non-executive director of Westfield Retail Trust and Chairman of the New Zealand Stock Exchange.

Michael F. Ihlein. Mr. Ihlein is a non-executive director of Scentre Group. He is also Chairman of Scentre Group's Audit and Risk Committee and a member of the Nomination Committee. Mr. Ihlein is a highly experienced corporate and finance executive with a long career with Coca-Cola Amatil Limited (and related companies) where he was Managing Director, Poland (1995-1997) and Chief Financial Officer and Executive Director (1997-2004). Mr. Ihlein joined Brambles as Chief Financial Officer and Executive Director in March 2004 and held the position of Chief Executive Officer from July 2007 until his retirement in November 2009. Mr. Ihlein holds a Bachelor of Business Studies (Accounting) from the University of Technology, Sydney. He is currently a non-executive director and Chair of the Risk & Audit Committee of CSR Limited, a non-executive Director and Chair of the Finance & Audit Committee of Inghams Group Limited, and is also a Fellow of the Australian Institute of Company Directors, CPA Australia and the Financial Services Institute of Australasia. Mr. Ihlein was formerly a director of Murray Goulburn Co-operative Co. Limited, from 2012 to 2017, and of Snowy Hydro Limited, from 2012 to 2019.

Carolyn Kay. Ms. Kay is a non-executive director of Scentre Group. She is also a member of Scentre Group's Audit and Risk Committee. Ms. Kay has had more than 30 years of experience in the finance sector as an executive and non-executive director. In addition, Ms. Kay has been and remains a non-executive director of enterprises across a broad range of industries. She is currently a Guardian of the Future Fund, a non-executive director of Myer Family Investments and a member of the Australian Federal Government's Retirement Income Review Panel. In the not for profit sector, Ms. Kay is also a non-executive director of the General Sir John Monash Foundation. As an executive Ms. Kay worked as a banker and lawyer at Morgan Stanley, JP Morgan and Linklaters & Paines in London, New York and Australia. Ms. Kay holds Bachelor Degrees in Law and Arts (University of Melbourne), a Graduate Diploma in Management (AGSM) and is a Fellow of the Australian Institute of Company Directors. She was awarded a Centenary Medal for services to Australian society in business leadership.

Steven Leigh. Mr. Leigh is a non-executive director of Scentre Group. He is also a member of Scentre Group's Human Resources Committee. Mr. Leigh's career in the real estate investment management and development industry spans more than three decades. He has in depth knowledge of real estate economics and experience in retail assets. During a 25 year career at QIC, Mr. Leigh held a number of senior positions including most recently Managing Director – Global Real Estate with QIC. Mr. Leigh's prior roles also include Managing Director of Trinity Limited and subsequently the Chief Executive Officer of the wholesale unlisted funds management business. Following LaSalle Investment Management's acquisition of Trinity Funds Management, Mr. Leigh held the position of Head of Australia for LaSalle Investment Management. He is a non-executive director of the ASX listed stapled entity, National Storage REIT. Mr. Leigh is also one of the founding members of Male Champions of Change established by the Property Council of Australia. He is a registered valuer, having started his career as a valuer with National Mutual Life. Mr. Leigh is a graduate of Gatton College (now part of

the University of Queensland) and the Queensland University of Technology in the disciplines of real estate valuation and project management.

Margaret Seale. Ms. Seale is a non-executive director of Scentre Group. She is also a member of Scentre Group's Audit and Risk Committee and the Human Resources Committee. Ms. Seale has more than 25 years' experience in senior executive roles in Australia and overseas, including in the consumer goods, health and global publishing sectors, in sales and marketing, and in the successful transition of traditional business models to digital environments. Immediately prior to her non-executive career, Ms. Seale was Managing Director of Random House Australia and New Zealand and President of Asia Development for Random House globally. She is currently a non-executive director of Telstra Corporation Limited and Westpac Banking Corporation. Ms. Seale has previously served on the boards of Australian Pacific (Holdings) Pty Limited, Penguin Random House Australia Pty Ltd (as a non-executive director and then Chair), the Australian Publishers' Association, Bank of Queensland Limited, Ramsay Health Care Limited, Chief Executive Women (chairing its Scholarship Committee), the Powerhouse Museum and the Sydney Writers' Festival. In 2015, Ms. Seale founded philanthropic literary travel company Ponder & See, which funds writers' festivals and writers through creating literary trips or experiences for interested readers.

Michael Wilkins, AO. Mr Wilkins is a non-executive director of Scentre Group. He has more than 30 years' executive experience in financial services in Australia and Asia, including insurance and investment management. He is currently the non-executive Chairman of QBE Insurance Limited and a non-executive director of Medibank Private Limited. Mr Wilkins has more than 20 years' experience as CEO for ASX 100 companies. He is the former Managing Director and CEO of Insurance Australia Group Limited (IAG), former Managing Director and CEO of Promina Group and former Managing Director of Tyndall Australia Limited. Mr Wilkins has also served as a director of Maple-Brown Abbott Limited, The Geneva Association, the Australian Business and Community Network and Alinta Limited. Most recently, Mr Wilkins was a Director of AMP Limited (2016-2020) including acting as Interim Executive Chairman and Acting CEO for a period in 2018. He was a member of the Australian Government's Financial Sector Advisory Council for five years and a member of the Business Council of Australia for eight years. Mr Wilkins is a Fellow of Chartered Accountants Australia and New Zealand. He was made an Officer of the Order of Australia in 2017 for distinguished service to the insurance industry, particularly to improved corporate social responsibility standards, to the building of natural disaster resilience and safer communities, and to workplace diversity.

Elliott Rusanow. Mr. Rusanow was appointed Chief Financial Officer of Scentre Group in April 2019. Prior to Scentre Group, Mr. Rusanow was the Chief Financial Officer of Westfield Corporation, based in the United States. Mr. Rusanow joined Westfield Group (the predecessor of Westfield Corporation and Scentre Group) in 1999 and has held roles based in Sydney, London and Los Angeles including Deputy Chief Financial Officer, Head of Corporate Finance, Director Finance UK/Europe and Director of Investor Relations and Equity Markets. Mr. Rusanow previously worked at Bankers Trust Australia Limited and holds Bachelor of Laws and Bachelor of Commerce degrees from the University of New South Wales.

Alexis Lindsay. Ms. Lindsay was appointed Director of Corporate Affairs of Scentre Group in June 2018. Over the past 20 years, Ms. Lindsay has built a reputation as a trusted adviser in her field, having worked for some of Australia's leading organizations. Prior to joining Scentre Group, Ms. Lindsay led Westpac Institutional Bank's corporate affairs and sustainability team, and prior to that Westpac's Business Bank corporate affairs team. Ms. Lindsay has a breadth and depth of corporate affairs functional experience spanning senior leadership roles and advisory positions within large corporations and public policy and public affairs consulting firms. Ms. Lindsay holds a Master of Arts, International Communication from Macquarie University and a Bachelor of Arts, Communications from Charles Sturt University.

Paul Giugni. Mr. Giugni was appointed General Counsel of Scentre Group in June 2014. Prior to the establishment of Scentre Group, Mr. Giugni was General Counsel, Australia and New Zealand, Westfield Group. Mr. Giugni joined Westfield Group in September 1998 and holds a Bachelor of Economics and a Bachelor of

Laws (Honors) from the University of Sydney. Prior to joining Westfield Group, Mr. Giugni was a solicitor at Freehill Hollingdale and Page (now Herbert Smith Freehills).

Janine Frew. Ms. Frew was appointed Director of Human Resources of Scentre Group in June 2014. Prior to the establishment of Scentre Group, Ms. Frew was the Director of Human Resources for Westfield Australia since December 2012. Ms. Frew joined Westfield Australia in 2007 as the HR Manager for Shopping Centre Management. In 2010 her portfolio expanded to include all operational Divisions, incorporating: Development, Design, Construction and Leasing. In 2011, Ms. Frew was appointed HR Director UK prior to the London Olympics and the opening of Westfield Stratford City. Before joining Scentre Group, Ms. Frew was Head of HR, Australia and New Zealand with the Coca-Cola Company, following a long tenure with the Coles Myer Group.

John Yates, QPM. Mr. Yates was appointed Director of Security of Scentre Group in June 2014. Prior to the establishment of the Scentre Group, Mr. Yates was Head of Security of Westfield Australia since November 2013, following his retirement from the Metropolitan Police (Scotland Yard) in November 2011 after a 30 year career. Mr. Yates' last role was as the United Kingdom's most senior counter terrorism officer and as the senior advisor to the Prime Minister and Home Secretary on all law enforcement related security matters. He also led the United Kingdom's response to the South East Asian Tsunami for which he was awarded the Queen's Police Medal. In between leaving policing and joining Westfield Group, Mr. Yates spent time in the Middle East advising the government of Bahrain on police reform before joining G3, the Good Governance Group, a leading international strategic advisory firm, as its Group Executive Director.

Ian Irving. Mr. Irving was appointed Director of Design & Construction (D&C) of Scentre Group in June 2014. Prior to the establishment of Scentre Group, he was Director D&C of Westfield Australia since 2009. Mr. Irving holds a Bachelor of Science (Building) degree from the Australian University of Technology Sydney and a MBA (executive) from the Australian Graduate School of Management (AGSM). Mr. Irving joined Westfield in 2004 as a General Manager of D&C, responsible for the delivery of a number of major Westfield Centre Projects throughout Australia including the management of the Westfield Sydney Project. Mr. Irving brings 25 years of working experience in the construction industry to the business. Prior to joining Westfield, Mr. Irving held a number of senior management positions in national construction companies in Australia.

Phil McAveety. Mr. McAveety was appointed Director of Customer Experience of Scentre Group in July 2016. Mr. McAveety has a globally recognized track record in brand management and customer experience, having held senior executive roles at some of the most well-known global consumer brands, including Nike, and Camper International. Prior to joining Scentre Group, Mr. McAveety served as Executive Vice President/Chief Brand Officer for Starwood Hotels and Resorts Worldwide, operating across a portfolio of major brands including Sheraton, Westin, St Regis and W Hotels. Mr. McAveety was responsible for managing a global brand strategy with local execution with a heavy reliance on digital execution. Mr. McAveety holds a Bachelor of Arts (Honors) in Economic History from Exeter University and an AMP (Executive MBA) from Harvard Business School.

John Papagiannis. Mr. Papagiannis was appointed Director of Leasing & Retail Solutions and NZ Development & Strategic Asset Management in late 2017. His career in the property industry spans over 20 years, and he has been involved in numerous iconic projects including Westfield Sydney. More recently, he was the Director of Development & Strategic Asset Management for Scentre Group since 2015. Prior to the establishment of Scentre Group, he was General Manager of Development for Westfield Group in Australia and was Director of Leasing from 2009-2013.

Richard Webby. Mr Webby was appointed Director, Technology of Scentre Group in January 2018. He has significant experience developing and integrating differentiating customer-facing solutions across multiple platforms and industries. Mr Webby has previously held senior roles with companies such as Travelocity.Com, Register.Com and Savos. Prior to joining Scentre Group, Mr Webby served as the Vice President, Guest Experience Technology and Chief Information Officer at Disneyland, Walt Disney Parks & Resorts. Mr Webby

holds a Ph.D., Information Systems and a Bachelor of Commerce, Accounting and Information Systems from the University of New South Wales in Australia.

Stewart White. Mr. White was appointed Director of Development of Scentre Group in January 2015. Prior to the establishment of Scentre Group, he was Group General Manager of Development for Westfield Australia. Mr. White re-joined Westfield Australia in July 2002 as an Asset General Manager in Development. Mr. White has 25 years' experience developing and managing shopping centers in Australia and has been involved in developments for a number of iconic centers in the Australian portfolio as well as the majority of capital transactions for the Group.

Share Ownership

The following table lists the share ownership of the directors as of April 30, 2020. Percentage ownership is based on 5,190,378,339 stapled securities issued and outstanding as of April 30, 2020. Beneficial ownership is based on rules relating to the holding of "relevant interests" under the Australian Corporations Act.

Name of Beneficial Owner	Number of Stapled Securities	Percentage Ownership
Brian Schwartz, AM	165,861	*
Peter Allen	5,510,627	*
Andrew Harmos	110,795	*
Michael Ihlein	48,048	*
Carolyn Kay	57,000	*
Steven Leigh	96,316	*
Margaret Seale	56,750	*
Michael Wilkins, AO	Nil	*

* Less than 5%

Board Practices

The boards of Scentre Group Limited and the Responsible Entities have common membership. The ultimate responsibility for corporate governance resides with our board of directors. The Board is committed to ensuring that it draws on a combination of executive and non-executive members with exceptional track records and reputation at the highest level of business and commerce generally.

The membership of the board is reviewed by the Nomination Committee and by the board from time to time having regard to our ongoing needs. Each of Messrs. Brian Schwartz, Andrew Harmos, Michael Ihlein, Steven Leigh and Michael Wilkins, and Mmes. Carolyn Kay and Margaret Seale have been determined by the board to meet the independence standard in the board's charter. In making this determination, the board has regard to the interests, positions and relationships affecting the independent status of a Director as set out in Box 2.3 of the ASX Corporate Governance Council's Governance Principles and Recommendations. This includes assessing whether a director is:

- independent of management; and
- free of any interest, position or association that might influence or reasonably be perceived to influence, in a material respect, their capacity to bring independent judgement to bear on issuers before the Board.

Board meetings are held at regular intervals throughout the year, with additional meetings being held as necessary. Directors are provided with board reports containing sufficient information to enable informed discussion of all agenda items in advance of board meetings. Any non-executive director may, if that non-executive director deems it necessary, seek independent legal or other professional advice if it is considered necessary to discharge their responsibilities as a Director. In such cases, we will reimburse the costs of such advice. Directors are required to obtain the prior approval of the chairman or the chair of the relevant committee in advance of seeking such advice.

The directors' Code of Conduct covers personal conduct, conflicts of interest, confidentiality and director independence.

Board Responsibilities

The board of directors is accountable to our members and seeks to ensure that our business objectives are aligned with the expectations of members and that our operations are being effectively managed in a manner that is properly focused on those business objectives as well as conforming to legal and ethical requirements.

The board of directors has established an Audit and Risk Committee, a Human Resources Committee and a Nomination Committee. The board may establish other board Committees from time to time to deal with specific matters.

Audit and Risk Committee

The Audit and Risk Committee consists of three members, Mr. Michael Ihlein, who is the chairman, Ms. Carolyn Kay and Ms. Margaret Seale. All members of the Audit and Risk Committee must be independent non-executive directors and the committee chairman must not be the chairman of the board of directors.

All members of the Audit and Risk Committee must be financially literate and at least one member must have significant relevant financial or accounting experience. In addition, all members must have a sufficient understanding of the financial, operating and legal issues which affect our business.

The primary function of the Audit and Risk Committee is to assist the board in monitoring and reviewing internal financial controls and policies for identifying and managing relevant risks within Scentre Group in order to safeguard the assets of the business and to ensure the integrity and reliability of financial and management reporting systems.

The Audit and Risk Committee assists the board in fulfilling its corporate governance responsibilities by:

- monitoring and reviewing the accuracy and reliability of the financial reports and statements of the listed entities within Scentre Group;
- reporting to the board on our half-year and annual reports and financial statements;
- monitoring and reviewing the effectiveness of Scentre Group's internal control environment including the systems of internal controls, risk management and legal compliance;
- monitoring and reviewing the objectivity and effectiveness of the internal audit function and the independence, objectivity and effectiveness of the external audit function (including making recommendations on the appointment, removal and remuneration of our external auditor);
- overseeing the processes for identifying, monitoring and managing material risks faced by Scentre Group and monitoring whether management is operating within the risk appetite set by the Board;
- overseeing processes for Scentre Group's compliance with applicable laws and regulations; and
- overseeing processes for implementing appropriate and adequate control, monitoring and reporting systems.

The Audit and Risk Committee has accepted, as a matter of principle, the need to have in place an adequate compliance and control framework based upon appropriate written procedures, policies and guidelines to enable material risks to be identified, monitored and managed, and to ensure that members of staff are informed as to those areas of material risk relevant to the operational activities in which they are engaged.

Compliance officers have been appointed within the business. Those officers are responsible for reviewing and monitoring the efficacy of our compliance systems on an ongoing basis to ensure appropriate measures are in place to educate staff as to their compliance responsibilities, and to report to the Audit and Compliance Committee on those matters.

The Audit and Risk Committee meets with the internal and external auditors at least twice a year and more frequently if required. The internal and external auditors have a direct line of communication at any time to either the chairman of the Audit and Risk Committee or the chairman of the board.

The Audit and Risk Committee reports to the board after each Committee meeting.

Human Resources Committee

The Human Resources Committee consists of three members, Mr. Andrew Harmos, who is the chairman, Mr. Steven Leigh and Ms. Margaret Seale. The members of the Human Resources Committee must be independent, non-executive directors.

The function of the Human Resources Committee is to assist the board in fulfilling its corporate governance responsibilities relating to human resources strategies and practices generally. The Human Resources Committee also reviews the remuneration policy that applies to our executives generally and specifically the remuneration policies that apply to members of the senior executive team, reviews development and succession planning for the senior executive team, reviews the Group's code of conduct, our diversity and inclusion policies and practices, has oversight of the Group's equity linked plans and reviews the remuneration reporting in our annual reports.

Nomination Committee

The Nomination Committee consists of three members, Mr. Brian Schwartz, who is the chairman, Mr. Andrew Harmos and Mr. Michael Ihlein. All members of the Nomination Committee must be independent, non-executive directors. The Nomination Committee is responsible for, among other things, making recommendations to the board on the selection and appointment of directors, reviewing, assessing and making recommendations to the board regarding the size and composition and the balance of existing and desired skills, knowledge, independence, diversity and experience of the board and its committees, implementing processes for reviewing the performance of the board of directors, its committees and directors, and the development of appropriate succession planning processes and plans for the board of directors.

Corporate Governance

We recognize the need to establish and maintain corporate governance policies and practices that reflect the requirements of the market regulators and participants and the expectations of members and others who deal with us. These policies and practices remain under constant review as the corporate governance environment and good practices evolve.

We are required to report the extent of Scentre Group's compliance with the ASX Corporate Governance Council's Governance Principles and Recommendations.

We have adopted all of the recommendations.

CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

General

Each of SGT1, SGT2 and SGT3 are managed by subsidiaries of SGL. Accordingly, there are certain related party transactions among SGL, SGT1, SGT2 and SGT3.

The Australian Corporations Act contains restrictions on public companies, such as SGL, from providing financial benefits to related parties unless approved by members. As part of the implementation of the Restructuring, SGL and SML as responsible entity of SGT1 acceded as parties to a stapling deed between SGT2 and SGT3, which sets out the terms of the relationship between each of SGL, SML, RE1 and RE2 in respect of the Scentre Group securities (Scentre Group Stapling Deed). The accession of SGL to the Scentre Group Stapling Deed, as approved by members of SGL, allows SGL to give financial benefits to related parties under the Scentre Group Stapling Deed or pursuant to any transaction entered into in accordance with the Scentre Group Stapling Deed.

SML, RE1 and RE2 have each obtained exemptions from ASIC from compliance with provisions of the Australian Corporations Act to enable each entity in its separate capacities as responsible entity of SGT1, SGT2 and SGT3 to provide financial benefits to the other trusts and its wholly owned subsidiaries, to SGL and its wholly owned subsidiaries and to an entity in which all the shares and interests are held by one or more of SGT1, SGT2, SGT3 and SGL (or their respective wholly owned subsidiaries).

DESCRIPTION OF THE NOTES AND GUARANTEES

This offering memorandum relates to the issuance by Scentre Management Limited, in its capacity as responsible entity and trustee of Scentre Group Trust 1, and RE1 Limited, in its capacity as responsible entity and trustee of Scentre Group Trust 2 (each, an "Issuer," and together, the "Issuers"), of US$ aggregate principal amount of % Guaranteed Senior Notes due (the "Notes"). The Notes issued by the Issuers are governed by a document called an indenture. The indenture is a contract among the Issuers of the Notes, the guarantors and Citicorp International Limited, as trustee. The sale of the Notes to the initial purchasers will be made without registration of the Notes under the Securities Act in reliance upon exemptions from the registration requirements of the Securities Act.

General

Citicorp International Limited, a company incorporated under laws of Hong Kong, acts as the trustee under the indenture. The trustee has two principal functions:

- first, it can and, at the direction of holders of 25% of the aggregate principal amount of the Notes, it shall, enforce your rights against the Issuers or the guarantors if the Issuers default on the Notes or any guarantor defaults on its guarantee. However, there are some limitations on the extent to which the trustee may act on your behalf, described under "Default and Related Matters—Events of Default—Remedies if an Event of Default Occurs" below; and
- second, the trustee, together with the Agents, performs administrative functions on behalf of the Issuers, such as sending, or arranging for sending, to you interest payments, transferring your Notes to a new buyer if you sell your Notes and sending you notices.

The Notes will be guaranteed by certain Scentre Group entities in their capacities as either "parent guarantors" or "subsidiary guarantors." The parent guarantees and the subsidiary guarantees are described under "Guarantees" below.

The indenture and its associated documents contain the full legal text of the matters described in this section. The agreements to be executed in connection with this offering of Notes are the indenture, the Notes and the guarantees, all of which are governed by the laws of the State of New York. A copy of the indenture may be obtained from the trustee.

Because this section is a summary, it does not describe every aspect of the Notes or the guarantees. This summary is subject to and qualified in its entirety by reference to all the provisions of the indenture. While, in this summary, we describe the meanings of a number of the more important terms used in the indenture, other terms used in this summary are ascribed particular meanings in the indenture. We also include references in parentheses to some sections of the indenture. Whenever we refer to particular sections or defined terms of the indenture in this offering memorandum those sections or defined terms are incorporated by reference here.

Co-Issuance

The Issuers are co-issuers of the Notes and, as such, the Notes will be the joint and several obligations of the Issuers.

Each Issuer will issue the Notes only in its capacity as responsible entity and trustee of the trust of which it is responsible entity and trustee and in no other capacity. Any liability arising under or in connection with the Notes can be enforced against each Issuer only to the extent that it can be satisfied out of the property of the trust for which it acts as responsible entity. This limitation of liability extends to all liabilities and obligations in any way connected with the Notes and any other representation, warranty, agreement or transaction related to the indenture or the Notes.

Principal, Maturity and Interest

The Notes will mature on . The Notes will bear interest from , 2020 and will be payable semi-annually in arrears on each and , commencing , 2020, at the rate of % per year to the holders in whose names the Notes are registered at the close of business on or immediately preceding the relevant interest payment date.

If any interest payment date with respect to the Notes or the maturity date of the Notes falls on a day that is not a business day in the relevant place of payment or in the place of business of the trustee, the required payment of principal, Make-Whole Amount, if any, and/or interest will be made on the next succeeding business day as if made on the date such payment was due, and no interest will accrue on such payment for the period from and after such interest payment date or maturity date, as the case may be, to the date of such payment on the next succeeding business day.

Each payment of interest due on an interest payment date or at maturity will include interest accrued from and including the last date to which interest has been paid or duly provided for, or from the issue date, if none has been paid or made available for payment, to but excluding the relevant date that the principal is paid or made available for payment on the Notes on the basis of a 360-day year comprised of twelve 30-day months.

The principal and interest payments for the Notes will be paid in U.S. dollars. We may, from time to time, without notice to or consent of the holders of the Notes, increase the principal amount of the Notes under the indenture and issue such increased principal amount, in which case any additional notes so issued shall have the same form and terms and shall carry the same right to receive accrued and unpaid interest, as the Notes previously issued, and such additional notes shall form a single series with the Notes. Such additional notes may not be fungible with the Notes for United States federal income tax purposes.

How the Notes Rank Against Other Debt

None of the Notes will be secured by any of the Issuers' or the guarantors' property or assets. Thus, by owning the Notes, a holder is one of the Issuers' unsecured creditors. The Notes will be unsecured unsubordinated debt obligations of the Issuers. The guarantees will be unsecured obligations of the guarantors and will rank equally (*pari passu*) as to payment with all of their other unsecured and unsubordinated debt, except debt given preference by applicable law. The guarantees will not be subordinated to any of the guarantors' other unsecured unsubordinated debt obligations. This means that, in a bankruptcy or liquidation proceeding against an Issuer or any guarantor, such Issuer's obligations under the Notes or the relevant guarantor's obligations under its guarantee would rank equally in right of payment with all of such Issuer's or the relevant guarantor's other unsecured and unsubordinated debt, except debt mandatorily preferred by law.

Guarantees

General

The Notes are guaranteed on a joint and several basis by Scentre Group Limited ("SGL") and RE2 Limited, in its capacity as the responsible entity and trustee of Scentre Group Trust 3 ("SGT3"), with respect to the payment of all amounts owing by each of the Issuers under the Notes. We refer to these companies collectively as the parent guarantors.

In addition, the Notes will be guaranteed on a joint and several basis by Scentre Finance (Aust) Limited and RE (NZ) Finance Limited. We refer to these companies collectively as the subsidiary guarantors. We refer to the parent guarantors and the subsidiary guarantors collectively as the guarantors.

Each guarantor guarantees the payment under the Notes when such amounts become due and payable, whether on an interest payment date, at the stated maturity of the Notes, by declaration of acceleration, at redemption or otherwise. Each guarantor also agrees to pay any expenses incurred by the trustee or any holder of Notes if the trustee or a holder of Notes had to enforce any right under the guarantee.

Each of the guarantees is an unsecured and unsubordinated debt obligation of each guarantor and will rank equally in right of payment with all existing and future unsecured debt of such guarantor that is not, by its terms, expressly subordinated in right of payment to such guarantee or mandatorily preferred by law. Furthermore, each of the guarantors shall be subrogated to all rights of each holder of Notes against the Issuers in respect of any amounts paid to such holder by such guarantor pursuant to the provisions of the guarantee provided by such guarantor. The guarantor cannot enforce or receive payments based upon such subrogation right until all guaranteed obligations due and payable have been paid in full in cash. If an Issuer pays an amount to a guarantor but does not pay due and payable amounts to the holders of Notes, such paid amount shall be held in trust by the guarantor for the benefit of such holder of Notes and shall be paid over to the trustee. (Section 1201).

Limitation on Guarantor Liability

Under the terms of the indenture, each guarantor and each holder (by acceptance of its Notes) confirms that it is the intention that the guarantee of such guarantor not constitute a fraudulent transfer or conveyance for purposes of Bankruptcy Law, the Uniform Fraudulent Conveyance Act, the Uniform Fraudulent Transfer Act or any similar United States federal or state law, or any applicable law of any jurisdiction relating to financial assistance, to the extent applicable to any guarantee. (Section 1202).

RE2 Limited, a parent guarantor under the indenture, has entered into the indenture only in its capacity as the responsible entity of SGT3. Any liability arising under or in connection with the guarantee provided by RE2 Limited in the indenture can be enforced against each RE2 Limited only to the extent that it can be satisfied out of the property of the trust for which it acts as responsible entity. This limitation of liability of RE2 Limited extends to all liabilities and obligations in any way connected with its guarantee provided under the indenture and any other representation, warranty, agreement or transaction related to the indenture or the Notes.

Release of Subsidiary Guarantee

Under the terms of the indenture, a parent guarantor can by written notice to the trustee request that a subsidiary guarantor cease to be a guarantor. Upon the trustee's receipt of such notice, such subsidiary guarantor shall automatically and irrevocably be released and relieved of any obligation under its guarantee with respect to the Notes if the following also is true:

- no Event of Default is continuing or will result from the release of that guarantor with respect to the Notes,
- none of the guaranteed obligations which are guaranteed by that guarantor are at that time due and payable but unpaid, and
- such subsidiary guarantor is not a guarantor of (or co-obligor on) any other indebtedness of any parent guarantor or any of their respective Subsidiaries (other than (i) guarantees of the Notes or (ii) guarantees that have been or will be released concurrently with release of the subsidiary guarantor's guarantee of the Notes).

The indenture also provides that if a subsidiary guarantor guarantees any other indebtedness of any parent guarantor or any of their respective Subsidiaries at any time subsequent to the date on which it is released from its guarantee as described above, such subsidiary guarantor will be required to provide a new guarantee on the Notes that remain outstanding on terms substantially identical to its initial subsidiary guarantee.

Subject to compliance with "*Special Situations—Mergers and Special Events*" below, the subsidiary guarantor shall also be automatically and irrevocably released and relieved of any obligations under its guarantee, upon the merger or consolidation of the subsidiary guarantor or a conveyance, transfer or lease of all or substantially all of its assets to any person (other than another guarantor or a subsidiary of a guarantor). For the release to take effect, the Issuers must deliver to the trustee certain certificates and documents and the trustee must execute a document evidencing the release. (Section 1205).

Termination of Guarantee

Under the terms of the indenture, the obligations of any guarantor terminate at the time such guarantor merges or consolidates with any Issuer, or when an Issuer acquires all of the assets and capital stock of such guarantor, and the guarantor has delivered to the trustee a certain certificate. If the Notes are defeased, as described under "Defeasance and Discharge" below, each guarantor shall be deemed released from all guarantee obligations to the extent indicated in the indenture with respect to the Notes. (Section 1206).

Unless released or terminated, each guarantee is a continuing guarantee and shall:

- remain in full force and effect until the indefeasible payment in full in cash of the guaranteed obligations and all other amounts payable under the guarantee;
- be binding upon the guarantor, its successors and assigns; and
- be to the benefit of and be enforceable by the holders of the Notes and their successors, transferees and assigns.

Additional Parent Guarantors and Subsidiary Guarantors

Each parent guarantor can by notice to the trustee nominate an additional parent guarantor or an additional subsidiary guarantor. An additional parent guarantor or subsidiary guarantor will become such additional guarantor upon assuming the covenants and conditions of the indenture and upon executing and delivering a supplemental indenture to the trustee. Such guarantee given by such additional parent or subsidiary guarantor, as the case may be, shall in all respects have the same legal rank as the guarantees given by already existing parent guarantors or subsidiary guarantors, as the case may be. (Sections 1207 and 1208).

Legal Ownership

Street Name and Other Indirect Holders

Investors who hold any of the Notes in accounts at banks or brokers will generally not be recognized by the Issuers and the guarantors as legal holders of such Notes. This is called holding in street name. Instead, the Issuers and the guarantors would recognize only the bank or broker, or the financial institution the bank or broker uses to hold its Notes. These intermediary banks, brokers and other financial institutions pass along principal, interest and other payments on the Notes, either because they agree to do so in their customer agreements or because they are legally required to do so. If you are considering holding Notes in street name, you should consult your own institution to find out:

- how it will handle Note payments and notices;
- whether it will impose fees or charges;
- how it will handle voting if it were ever required;
- whether and how you can instruct it to send your Notes, registered in your own name so you can be a direct holder as described below; and
- how it will pursue rights under the Notes if there were a default or other event triggering the need for holders to act to protect their interests.

Direct Holders

Each Issuer's obligations, the guarantors' obligations, as well as the obligations of the trustee and those of any third parties employed by an Issuer, the guarantors or the trustee, run only to persons who are registered as holders of Notes. As noted above, the Issuers and the guarantors do not have obligations to you if you hold in street name or other indirect means, either because you choose to hold Notes in that manner or because the Notes

are issued in the form of Global Notes as described below. For example, once an Issuer or a guarantor makes payment to the registered holder, it has no further responsibility for the payment even if that holder is legally required to pass the payment along to you as a street name customer but does not do so.

Global Notes

Global Notes are a special type of indirectly held Notes, as described above under "Street Name and Other Indirect Holders." The ultimate beneficial owners of Global Notes can only be indirect holders.

The Issuers and the guarantors require that the Global Notes be registered in the name of a financial institution they select. In addition, the Issuers and the guarantors require that the Notes included in the Global Notes not be transferred to the name of any other direct holder unless the special circumstances described below occur. The financial institution that acts as the sole direct holder of the Global Notes is called the depositary. Any person wishing to own a security must do so indirectly by virtue of an account with a broker, bank or other financial institution that in turn has an account with the depositary.

Special Investor Considerations for Global Notes. As an indirect holder, an investor's rights relating to Global Notes will be governed by the account rules of the investor's financial institution and of the depositary, as well as general laws relating to securities transfers. Neither the Issuers nor the guarantors recognize this type of investor as a holder of Notes and instead deal only with the depositary that holds Global Notes. The Notes offered by this offering memorandum will only be issued in the form of Global Notes except in special circumstances described below.

If you are an investor in Global Notes, you should be aware that:

- you cannot get Notes registered in your own name;
- you cannot receive physical certificates for your interest in the Notes;
- you will be a street name holder and as such you will not be considered the registered holder thereof under the indenture and you must look to your own bank or broker for payments on the Notes and protection of your legal rights relating to the Notes, as explained earlier under "Legal Ownership—Street Name and Other Indirect Holders";
- you may not be able to sell interests in the Notes to some insurance companies and other institutions that are required by law to own their Notes in the form of physical certificates;
- the depositary's policies will govern payments, transfers, exchanges and other matters relating to your interest in the Global Notes. The Issuers, guarantors and the trustee have no responsibility for any aspect of the depositary's actions or for its records of ownership interests in Global Notes. The Issuers, the guarantors and the trustee do not supervise the depositary in any way; and
- the depositary will require that interests in Global Notes be purchased or sold within its system using same-day funds.

Special Situations When Global Notes Will Be Terminated. In a few special situations described below, Global Notes will terminate and interests in them will be exchanged for physical certificates representing Notes. After that exchange, the choice of whether to hold Notes directly or in street name will be up to the investor. Investors must consult their own bank or brokers to find out how to have their interests in Notes transferred to their own name so that they will be direct holders. The rights of street name investors and direct holders in the Notes have been previously described in "Legal Ownership—Street Name and Other Indirect Holders" and "Legal Ownership—Direct Holders."

The special situations for termination of Global Notes are:

- when the depositary notifies the Issuers that it is unwilling, unable or no longer qualified to continue as depositary and the Issuers do not appoint a successor depositary within 90 days;

- if we elect to terminate the Global Notes, and we notify the trustee in writing that we elect to issue the Notes in certificated form; or
- when an event of default on the Notes has occurred and has not been cured and the beneficial holders representing a majority in principal amount of Notes advise the depositary to cease activity as such. Defaults are discussed below under "Default and Related Matters—Events of Default."

When Global Notes terminate, the depositary (and not the Issuers, the guarantors or the trustee) is responsible for deciding the names of the institutions that will be the initial direct holders. (Section 303).

In the remainder of this description "you" means direct holders and not street name or other indirect holders of the Notes. Indirect holders should read "Street Name and Other Indirect Holders."

Overview of Remainder of This Description

The remainder of this description summarizes:

- additional mechanics relevant to the Notes under normal circumstances, such as how you transfer ownership and where an Issuer makes payments;
- your rights under several special situations, such as if an Issuer or the guarantors merge with another company, if an Issuer or the guarantors want to change a term of the Notes or if an Issuer or the guarantors want to redeem the Notes for tax or other reasons;
- your rights to receive payment of additional amounts depending on your particular circumstances and arising from the withholding tax requirements of Australia and New Zealand;
- covenants contained in the indenture that restrict the Issuers' and the guarantors' ability to incur debt exceeding specific levels;
- your rights if an Issuer defaults in respect of its obligations under the Notes or experiences other financial difficulties; and
- your rights if any guarantor defaults in respect of its obligations under the guarantees or experiences other financial difficulties.

Additional Mechanics

Exchange and Transfer

Except as otherwise described herein, the Notes will be issued:

- only in fully registered form;
- without interest coupons; and
- in denominations of US$2,000 principal amount and integral multiples of US$1,000 thereafter.

You may have your Notes broken into more Notes of smaller denominations or combined into fewer Notes of larger denominations, as long as the total principal amount is not changed. (Section 303). This is called an exchange.

You may exchange or transfer your Notes at the office of the trustee. The registrar acts as the Issuers' agent for registering the Notes in the names of holders and transferring the Notes. The Issuers may change this appointment to another entity. The entity performing the role of maintaining the list of registered holders is called the security registrar. The trustee has the right to examine the security register. (Section 303).

Form, Denomination, Transfer and Book-Entry Procedures

The Notes are being offered and sold in the United States to qualified institutional buyers in accordance with Rule 144A under the Securities Act. The Notes also may be offered and sold outside the United States in accordance with Regulation S under the Securities Act.

The Notes will be issued at the closing of the offering only against payment in immediately available funds.

Restricted and Regulation S Global Notes

The Notes offered and sold in accordance with Rule 144A will, at least initially, be represented by one or more Notes in registered, global form without interest coupons. We refer to these Notes as the "Restricted Global Notes." The Notes offered and sold in offshore transactions in reliance on Regulation S will, at least initially, be represented by one or more Notes in registered, global form without interest coupons. We refer to these Notes as the "Regulation S Global Notes." Together, the Restricted Global Notes and the Regulation S Global Notes are known as the "Global Notes."

Once issued, the Global Notes will be deposited with Citibank, N.A., London Branch, as custodian for The Depository Trust Company (referred to as "DTC") and registered in the name of DTC or its nominee for credit to an account of a direct or indirect participant in DTC as described below.

If you have a beneficial interest in the Regulation S Global Note, you must hold it through the Euroclear System (referred to as "Euroclear") or Clearstream Banking S.A. (referred to as "Clearstream") (as indirect participants in DTC), through and including the 40th day after the later of the commencement of the offering and the original issue date of the Notes. This period is known as the distribution compliance period. The restriction on transfer of the Regulation S Global Notes applies during this distribution compliance period unless the Notes are transferred to a person that takes delivery as a Restricted Global Note in accordance with the requirements described below. You may not exchange beneficial interests in the Restricted Global Notes for beneficial interests in the Regulation S Global Notes at any time, except as described below. See "—Exchanges Between Global Notes."

The Global Notes will be subject to certain restrictions on transfer and will bear restrictive legends as described under "Notice to Investors." In addition, transfers of beneficial interests in the Global Notes will be subject to the rules and procedures of DTC and its direct or indirect participants (including, if applicable, those of Euroclear and Clearstream), which may change from time to time. Except as set forth below, the Global Notes may be transferred, in whole and not in part, only to DTC, a nominee of DTC or to their successors. You may not exchange your beneficial interest in a Global Note for Notes in certificated or non-book entry form except in the limited circumstances described below. See "—Exchange of Book-Entry Notes for Certificated Notes."

Exchanges Between Global Notes

You may transfer your beneficial interest in the Restricted Global Notes at any time to a person who takes delivery in the form of an interest in the Regulation S Global Notes once the transfer agent has received a written certificate from you, in the form provided in the indenture, to the effect that:

- such transfer is being made in accordance with Rule 903 or Rule 904 of Regulation S or, in the case of an exchange occurring after the 40th day following the issuance of the Notes, Rule 144 under the Securities Act; and
- if such transfer occurs prior to the expiration of the distribution compliance period, that the interest transferred will be held immediately following the transfer through Euroclear or Clearstream.

Prior to the expiration of the distribution compliance period, you may transfer your beneficial interest in a Regulation S Global Note to a person who takes delivery in the form of an interest in a Restricted Global Note

once the transfer agent has received a written certificate from the transferor, in the form provided in the indenture, to the effect that:

- the transfer is being made to a person whom the transferor reasonably believes is a "qualified institutional buyer" within the meaning of Rule 144A;
- the person is purchasing for its own account or for the account or benefit of one or more qualified institutional buyers as to which account it exercises sole investment discretion, in a transaction that meets the requirements of Rule 144A and is in accordance with all applicable securities laws; and
- the transferee has been advised that the transferor is making such transfer in reliance on Rule 144A.

After the expiration of the distribution compliance period, this certification requirement will no longer apply to such transfers.

Once a beneficial interest in one of the Global Notes is exchanged for an interest in another Global Note, it becomes an interest in the other Global Note, subject to all of the transfer restrictions applicable to beneficial interests in such other Global Note.

If you exchange a beneficial interest in a Regulation S Global Note for a beneficial interest in a Restricted Global Note or vice versa, instruction will be given by the trustee to DTC through the DTC Deposit Withdraw at Custodian system, or DWAC. Following the receipt of these instructions, adjustments will be made in the records of the security registrar to reflect a decrease in the principal amount of your interest in the Regulation S Global Note and a corresponding increase in the principal amount of your interest in the Restricted Global Note or vice versa, as applicable.

Exchange of Book-Entry Notes for Certificated Notes

You may not exchange your beneficial interest in a Global Note for a Note in certificated form unless:

- DTC notifies us that it is unwilling or unable to continue as depositary for the Global Note, or if DTC ceases to be able to act as depositary for the Global Note, and we fail to appoint a successor depositary within 90 days;
- we notify the trustee in writing that we elect to issue the Notes in certificated form; or
- an event of default has occurred and is continuing with respect to the Notes.

In all cases, certificated Notes delivered in exchange for any Global Note will be registered in the names, and issued in any approved denominations, requested by the depositary. Any certificated Note issued in exchange for an interest in a Global Note must have a legend on its face which indicates the transfer restrictions of that particular Global Note. Any exchange will be made through the DWAC system and an appropriate adjustment will be made in the records of the security registrar to reflect a decrease in the principal amount of the interest in the relevant Global Note.

Book-Entry Procedures for Global Notes

The following descriptions of the operations and procedures of DTC, Euroclear and Clearstream are provided to you solely as a matter of convenience. These operations and procedures are solely within the control of the respective settlement systems and are subject to change from time to time. We take no responsibility for these operations and procedures and urge you to contact the systems or their participants directly to discuss these matters.

The following is based upon information furnished by DTC: DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York

Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Exchange Act. DTC holds securities that its participants ("participants") deposit with DTC. DTC also facilitates the settlement among participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in participants' accounts, thereby eliminating the need for physical movement of securities certificates. Direct participants ("direct participants") include securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is owned by a number of its direct participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc., and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a direct participant, either directly or indirectly. The rules applicable to DTC and its participants are on file with the U.S. Securities and Exchange Commission. Persons who are not participants may beneficially own securities held by or on behalf of DTC only through participants or indirect participants. The ownership interest and transfer of ownership interest of each actual purchaser of each security held by or on behalf of DTC are recorded on the records of participants and indirect participants.

DTC has also advised us that, pursuant to procedures established by it:

- upon deposit of the Global Notes, DTC will credit, on its internal system, the accounts of participants with portions of the principal amount of the Global Notes; and
- ownership of the interests in the Global Notes will be shown on, and the transfer of ownership of the interests will be effected only through, records maintained by DTC, in the case of participants, or by participants and indirect participants, in the case of other owners of beneficial interests in the Global Notes.

You may hold interests in the Restricted Global Notes directly through DTC, if you are a participant in that system, or indirectly through organizations, including Euroclear and Clearstream, which are participants in that system. You must initially hold your interest in the Regulation S Global Notes through Euroclear or Clearstream, if you are a participant in those systems, or indirectly through organizations which are participants in those systems. After the expiration of the distribution compliance period, you may also hold interests in the Regulation S Global Notes through organizations other than Euroclear and Clearstream that are participants in the DTC system. Euroclear and Clearstream will hold interests in the Regulation S Global Notes on behalf of their participants through customers' securities accounts in their own names on the books of their depositories. The depositories, in turn, will hold such interests in the Regulation S Global Notes in customers' securities accounts in the depositories' names on the books of DTC. All interests in a Global Note, including those held through Euroclear or Clearstream, may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream may also be subject to the procedures and requirements of DTC. Transfers and exchange of interests in Global Notes will also be subject to the restrictions described above under "—Exchanges Between Global Notes" and "—Exchange of Book-Entry Notes for Certificated Notes."

The laws of some states require that certain persons take physical delivery of the securities that they own. Consequently, your ability to transfer beneficial interests in a Global Note to others may be limited. Because DTC can act only on behalf of participants, which in turn act on behalf of indirect participants and certain banks, the ability of a person having beneficial interests in a Global Note to pledge such interests to persons or entities that do not participate in the depositary system, or otherwise take actions in respect of such interests, may be affected by the lack of a physical certificate evidencing such interests.

As long as DTC or its nominee is the registered holder of a Global Note, DTC or its nominee will be considered the sole owner and holder of the Notes represented by such Global Note for purposes under the indenture and the Notes. Except as described above, if you hold a book-entry interest in a Global Note, you:

- will **not** have Notes registered in your name;

- will **not** receive physical delivery of Notes in certificated form; and
- will **not** be considered the registered owner or holder of the interest in the Global Note under the indenture or the Notes.

DTC has advised us that it will take any action permitted to be taken by a holder of Notes:

- only at the direction of one or more participants to whose account with DTC interests in the Global Notes are credited; and
- only in respect of such portion of the aggregate principal amount of the Notes as to which the participant in question has given such direction.

If there is an event of default under the Notes, however, DTC reserves the right to exchange the Global Notes for legended Notes in certificated form, and to distribute these Notes to its participants.

Although we expect that DTC, Euroclear and Clearstream will follow the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Notes among participants in DTC, Euroclear and Clearstream, they are under no obligation to perform or to continue to perform such procedures, and such procedures may be discontinued at any time. Neither we, the trustee nor the Agents will have any responsibility for the performance by DTC, Euroclear or Clearstream or their respective participants or indirect participants of their obligations under the rules and procedures governing their operations, which may include:

- maintaining, supervising and reviewing the records related to payments made on account of beneficial ownership interests in Global Notes; and
- any other action taken by any such depositary, participant or indirect participant.

Special Situations

Mergers and Similar Events

The Issuers and the guarantors are generally permitted to consolidate or merge with another Person (as defined below). The Issuers and the guarantors are also permitted to sell or lease all or substantially all of the properties and assets of the Group (as defined below) (determined on a consolidated basis) to another Person or to buy or lease all or substantially all of the assets of another Person. (Section 801). However, none of the Issuers nor any guarantor may take any of these actions unless all of the following conditions are met:

- If an Issuer or a guarantor consolidates or merges into, or sells or leases all or substantially all of the properties and assets of the Group (determined on a consolidated basis) to another entity, the surviving or acquiring entity must be organized and validly existing under the laws of Australia or New Zealand or any political subdivision thereof. The acquiring entity must expressly agree, by form of supplemental indenture, to be bound by every obligation in the indenture and, in the case of a guarantor, its guarantee, applicable to the entity that consolidated, merged or transferred its assets. (Section 801(1)).
- Neither an Issuer nor any guarantor may be in default on the Notes or any guarantee immediately prior to or after giving effect to such transaction. For purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described under "Default and Related Matters—Events of Default—What is an Event of Default?" A default for this purpose would also include any event that, after notice or lapse of time, or both, would become an event of default. (Section 801(2)).
- Where an Issuer or a guarantor consolidates or merges into or sells or leases all or substantially all of the properties and assets of the Group (determined on a consolidated basis) to another entity, the acquiring entity must indemnify the holders of the Notes against any tax, assessment or governmental charge imposed or other cost resulting from such transaction. (Section 801(3)).

- Where an Issuer or a guarantor consolidates or merges into or sells or leases all or substantially all of the properties and assets of the Group (determined on a consolidated basis) to another entity, the acquiring entity must agree to be subject to the rights and obligations described below under "—Optional Tax Redemption" and "—Payments of Additional Amounts" to the same extent as such Issuer or guarantor, and must agree that its jurisdiction of organization (or any political subdivision or taxing authority thereof or therein) will be deemed a "relevant taxing jurisdiction" as defined below under "—Payment of Additional Amounts." (Section 801(4)).
- Each Issuer or any guarantor, as the case may be, must deliver certain certificates and opinions to the trustee. (Section 801(5)).

Notwithstanding the condition set forth in the first bullet point in the immediately preceding paragraph, and provided that the conditions set forth in the second, third, fourth and fifth bullet points in the immediately preceding paragraph are met, any Issuer or guarantor may consolidate with or merge into any other entity or convey, transfer or lease all or substantially all of the properties and assets of the Group (determined on a consolidated basis) to any person in a transaction or series of related transactions (including by way of a voluntary liquidation) where:

- any Issuer or guarantor (1) merges, consolidates with or conveys, transfers or leases all or substantially all of the properties and assets of such Issuer or guarantor (determined on a consolidated basis) to an affiliate of the Group that has no material assets or liabilities and that is incorporated or organized solely for the purpose of reincorporating or reorganizing such Issuer or guarantor in Australia or New Zealand or any political subdivision thereof, or (2) otherwise converts its legal form under the laws of its jurisdiction of organization,
- each Issuer and parent guarantor, other than one of them, merges or consolidates with that other one of them, where each such Issuer and guarantor other than that other one become direct or indirect wholly owned subsidiaries of that other one,
- any Issuer or guarantor merges or consolidates with or including another member of the Group or any other entity or entities where the surviving entity is an Issuer or guarantor,
- each Issuer and guarantor becomes a direct or indirect wholly owned subsidiary of the same entity and where that entity within 30 business days after the transaction or series of transactions is finally effected, becomes a parent guarantor in accordance with the indenture,
- any Issuer or guarantor consolidates with, merges into or conveys, transfers or leases all or part of its properties and assets to any member of the Group,
- any Issuer or guarantor merges or consolidates with, or conveys, transfers or leases all or substantially all of the properties and assets of such Issuer or guarantor to any member of the Group or to any new entity as a result of which (1) all or substantially all of the properties and assets of the Group (determined on a consolidated basis) are either owned, directly or indirectly, by such new entity or continue to be owned, directly or indirectly, by the Group, and (2) at least a majority of the total voting power of such new entity or the Group, as applicable, is, as of or immediately following such merger, consolidation, conveyance, transfer or lease, beneficially owned by the same persons that beneficially owned at least a majority of the total voting power of the Group immediately prior to such merger, consolidation, conveyance, transfer or lease becoming effective, and, in the case of a merger, consolidation, conveyance, transfer or lease to a new entity, within 30 business days after such merger, consolidation, conveyance, transfer or lease is finally effected, such new entity becomes a new guarantor in accordance with the indenture (Section 801), or
- such merger, consolidation, conveyance, transfer or lease is covered by any combination of the transactions described in the immediately preceding six bullets (or any portions thereof).

It is possible that a merger or other similar transaction with respect to an Issuer or a guarantor could be treated for United States federal income tax purposes as a taxable exchange of the Notes by the holders of the

Notes for new securities, which could result in holders recognizing taxable gain or loss for United States federal income tax purposes. A merger or other similar transaction could also have adverse tax consequences to holders under other tax laws to which the holders are subject.

If an Issuer or any guarantor consolidates, merges or conveys property and assets as discussed above in this section, the successor entity formed by such transaction, shall succeed to, and be substituted for, and may exercise every right and power of, such Issuer or guarantor under the indenture. (Section 802).

Any guarantor or any subsidiary of such guarantor may also assume the obligations of one or more Issuers of the Notes if:

- the guarantor or such subsidiary, as the case may be, assumes by means of a supplemental indenture, all the obligations of the Issuer(s) under the Notes and the indenture;
- the guarantor or such subsidiary, as the case may be, agrees that, with respect to its assumption of its obligations, as described below under "Payment of Additional Amounts," its jurisdiction of organization (or any political subdivision or taxing authority thereof or therein) will be deemed a "relevant taxing jurisdiction" as defined below under "Payment of Additional Amounts;"
- immediately prior to or after giving effect to the transaction no event of default and no event, that after notice or lapse of time, or both, would become an event of default with respect to the Notes has occurred and is continuing; and
- the guarantor or such subsidiary, as the case may be, has delivered certain certificates and opinions to the trustee. (Section 803).

Upon any such assumption the guarantor or such subsidiary, as the case may be, shall succeed to, and be substituted for, and may exercise every right and power of the relevant Issuer under the indenture. (Section 803).

Under certain circumstances, such an assumption could be treated for United States federal income tax purposes as a taxable exchange of the Notes by the holders of the Notes for new securities, which could result in holders recognizing taxable gain or loss for United States federal income tax purposes. Such an assumption could also have adverse tax consequences to holders under other tax laws to which the holders are subject.

Modification and Waiver

There are three types of changes the Issuers and the guarantors can make to the indenture and the Notes.

Changes Requiring Your Approval. First, there are changes that cannot be made to your Notes without your specific approval. Following is a list of those types of changes:

- change the stated maturity of the principal or the interest on the Notes;
- reduce any amounts due on the Notes;
- change the Issuers' or the guarantors' obligations to pay additional amounts described later under "—Payment of Additional Amounts";
- reduce the amount of principal payable upon acceleration of the maturity of the Notes following an event of default;
- change the currency of payment on the Notes;
- impair your right to sue for payment;
- reduce the percentage of holders of Notes whose consent is needed to modify or amend the indenture;
- reduce the percentage of holders of Notes whose consent is needed to waive compliance with various provisions of the related indenture or the related supplemental indenture or to waive various defaults;

- modify the obligations of the guarantors in respect of the payment of principal, premium, if any, and interest, on the Notes; and
- modify or affect, in any manner adverse to you, the conversion or exchange of Notes into Notes of another series or into any other debt or equity securities. (Section 902).

Changes Requiring a Majority Vote. The second type of change to the indenture and the Notes is the kind that requires a vote in favor by holders of the Notes owning a majority of the principal amount of the Notes. Most changes fall into this category, except for clarifying changes, amendments, supplements and other changes that would not adversely affect holders of the Notes. The same vote would be required for the Issuers and the guarantors to obtain a waiver of all or part of the covenants described below or a waiver of a past default. However, the Issuers and the guarantors cannot obtain a waiver of a payment default or any other aspect of the indenture or the Notes listed in the first category described previously under "—Changes Requiring Your Approval" unless they obtain your individual consent to the waiver. (Section 513).

Changes Not Requiring Approval. The third type of change does not require any vote by holders of the Notes. Following is a list of those types of changes:

- evidence the succession of another person to an Issuer or any guarantor and the assumption by any such successor of the covenants of the Issuers or the guarantors in the indenture and in the Notes and the guarantees;
- add an additional guarantor or issuer under the indenture;
- add to the covenants of the Issuers or the guarantors for the benefit of the holders of Notes or to surrender any right or power conferred upon the Issuers or the guarantors;
- add any additional events of default with respect to the Notes;
- secure the Notes pursuant to the requirements of any covenant in the indenture or otherwise;
- provide for uncertificated Notes in addition to or in place of certificated Notes;
- evidence and provide the acceptance of the appointment of a successor trustee under the indenture;
- cure any ambiguity, defect or inconsistency that would not materially adversely affect holders of the Notes;
- conform the terms of the indenture, Notes or guarantees to the description thereof contained in this offering memorandum to the extent that such description was intended to be a substantially verbatim recitation of a provision of the indenture, Notes or guarantees; and
- make certain clarifications and other changes that would not materially adversely affect holders of the Notes (Section 901).

Under certain circumstances, the addition of an issuer or guarantor could be treated for United States federal income tax purposes as a taxable exchange of the Notes by the holders of the Notes for new securities, which could result in holders recognizing taxable gain or loss for United States federal income tax purposes. Such additions could also have adverse tax consequences to holders under other tax laws to which the holders are subject.

Further Details Concerning Voting. When taking a vote, the Issuers and the guarantors will use the following rules to decide how much principal amount to attribute to a security in the Notes:

- For original issue discount securities, the Issuers and the guarantors will use the principal amount that would be due and payable on the voting date if the maturity of the Notes were accelerated to that date because of a default.

- Notes will not be considered outstanding, and therefore the holders will not be eligible to vote, if the Issuers or the guarantors have deposited or set aside in trust for you money for their payment or redemption. The holders of the Notes will also not be eligible to vote if they have been fully defeased as described later under "—Restrictive Covenants—Defeasance and Discharge."
- The Issuers and the parent guarantors will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding Notes that are entitled to vote or take other action under the related indenture. If the Issuers or the parent guarantors set a record date for a vote or other action to be taken by holders of Notes, that vote or action may be taken only by persons who are holders of outstanding Notes on the record date. (Section 105).

Street name and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the indenture or the notes or request a waiver.

Optional Tax Redemption

If, as a result of a change in or amendment to any laws, treaties, regulations or published tax rulings of any "relevant taxing jurisdiction" (as defined below under "—Payment of Additional Amounts") affecting taxation, or any change in the official administration, application or interpretation of such laws, treaties, regulations or published tax rulings either generally or in relation to the Notes or any guarantee, which change or amendment becomes effective on or after the original issue date of the Notes, or which change in official administration, application or interpretation shall not have been published prior to such original issue date, any Issuer or guarantor would be required to pay additional amounts, as described below under "—Payment of Additional Amounts," in respect of interest on the next succeeding interest payment date or in respect of principal or any original issue discount on the date of such determination, the Issuers may elect, at their option, to redeem all of the Notes, in whole but not in part, in respect of which such additional amounts would be so payable. The redemption price for the Notes will be equal to 100% of the principal amount of the Notes plus any accrued and unpaid interest to, but not including, the date fixed for redemption. However, the Issuers may not redeem the Notes if the relevant Issuer or guarantor is able to avoid paying additional amounts (as described under "—Payment of Additional Amounts") that would otherwise be payable, by taking commercially reasonable measures available to it, which are brought to its attention or of which it is actually aware, provided that such measures will not, in the reasonable determination of the Issuers, have an adverse effect on the Issuers or their affiliates.

No notice of redemption may be given earlier than 60 days prior to the earliest date on which an Issuer or guarantor would be obligated to pay such additional amounts were a payment in respect of the Notes or the guarantee then due. At the time any redemption notice is given, such obligation to pay additional amounts must remain in effect.

In the event that any Issuer or guarantor consolidates, merges into, or transfers or leases substantially all of its properties and assets to, another entity, or any guarantor or any subsidiary assumes the obligations of one or more of the Issuers under the Notes, any reference in the first paragraph above to "original issue date" will, with respect to any change in or amendment to, or any change in the official administration, application or interpretation of the laws, treaties, regulations or published tax rulings of the relevant taxing jurisdiction of the acquiring entity, be deemed to be a reference to the effective date of such transaction.

Prior to any redemption pursuant to the three immediately preceding paragraphs, the Issuers or a successor entity shall provide the trustee with a written opinion of counsel, who may be an employee of, or counsel for, an Issuer or an Affiliate of an Issuer, and who shall be reasonably acceptable to the trustee, that the conditions precedent to the right of the Issuers or such successor entity to redeem such Notes as set out above have occurred. (Section 1108).

Payment of Additional Amounts

All payments in respect of the Notes or any guarantee will be made without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied or collected by or on behalf of a relevant taxing jurisdiction unless withholding or deduction is required by law. A "relevant taxing jurisdiction" is any jurisdiction under the laws of which any Issuer or any guarantor is organized or any political subdivision or taxing authority thereof or therein.

The indenture provides that if withholding or deduction is required by law, then the Issuers or the relevant guarantors, as the case may be, will pay to each holder of a Note such additional amounts as will result (after deduction of such taxes, duties, assessments or governmental charges and any additional taxes, duties, assessments or governmental charges payable in respect of such additional amounts) in the receipt by each such holder of the amounts that it would have received had no such withholding or deduction been required. However, the indenture also provides that no additional amounts will be so payable for or on account of any withholding, deduction, tax, duty, assessment or other governmental charge that:

- is imposed only because the holder:
  - is or was a citizen, resident, domiciliary or national of the relevant taxing jurisdiction;
  - is or was engaged in a trade or business in the relevant taxing jurisdiction;
  - has or had a permanent establishment or physical presence in the relevant taxing jurisdiction;
  - otherwise has or had some connection with the relevant taxing jurisdiction other than the mere ownership of, or receipt of payment under, the Note or guarantee, provided that the holder will not be regarded as having a connection with Australia for the reason that such holder is a resident of Australia where, and to the extent that, such tax is payable by reason of Section 128B(2A) of the Income Tax Assessment Act 1936 of Australia;
  - presented the Note or guarantee for payment in the relevant taxing jurisdiction, unless presentation is required and could not have been made elsewhere; or
  - presented the Note or guarantee for payment (where presentation is required) more than 30 days after the date on which payment on the Note or guarantee first became due and payable or after the payment was provided for, whichever is later, except to the extent that the holder would have been entitled to such additional amounts if it had presented the Note or guarantee for payment on any day within such 30 day period;
- is imposed only because the holder or, in the case of a Global Note, the beneficial owner thereof, failed to comply with a request by the Issuers or any guarantor as required by any statute, treaty, regulation or administrative practice of any relevant taxing jurisdiction as a precondition to exemption from all or part of such tax, duty, assessment or other governmental charge (including, without limitation, in the case of (i) a holder or beneficial owner who is a resident of Australia for tax purposes, or (ii) a nonresident of Australia holding such Note or, in the case of a Global Note, owning a beneficial interest in such Global Note, in either case through a permanent establishment in Australia, the quotation of an Australian tax file number or an Australian Business Number) to:
  - provide information about the nationality, residence or identity of the holder or beneficial owner; or
  - make a declaration or satisfy any information requirements;
- is an estate, inheritance, gift, sale, transfer, personal property or similar tax, assessment or other governmental charge or any withholding or deduction on account of such taxes;
- is payable in a manner that does not involve withholding or deduction from payments on the Notes or any guarantee;

- is imposed or withheld by reason of section 128FA(4) or 128FA(6) of the Income Tax Assessment Act 1936 of Australia on the basis of the holder being an associate of the Issuers or any guarantor for purposes of section 128FA(8) of the Income Tax Assessment Act 1936 of Australia;
- is imposed or withheld as a consequence of a determination having been made under Part IVA of the Income Tax Assessment Act of 1936 of Australia (or any modification or substitute provision) by the Commissioner of Taxation that withholding tax is payable in respect of a payment;
- is required by reason of the Australian Commissioner of Taxation giving a notice under Section 255 of the Income Tax Assessment Act 1936 of Australia or Section 260-5 of Schedule 1 of the Taxation Administration Act 1953 of Australia (or any similar or modified or substitute provision);
- is imposed by the United States or any political subdivision thereof or therein;
- is in respect of New Zealand resident withholding tax;
- is in respect of New Zealand non-resident withholding tax where the relevant holder or beneficial owner is associated with the relevant Issuer or guarantor for the purposes of the Income Tax Act 2007 (New Zealand), or the relevant holder or beneficial owner is party to an arrangement such that the Note is related-party debt (as defined in the Income Tax Act 2007 (New Zealand));
- is in respect of tax imposed in New Zealand on a payment derived by a holder or beneficial owner that holds the Note jointly with a New Zealand resident (as defined in the Income Tax Act 2007 (New Zealand));
- is required to be made pursuant to the European Council Directive 2003/48/EC, or any law implementing or complying with, or introduced in order to conform to, such directive;
- is imposed on or in respect of any Note pursuant to Sections 1471 through 1474 of the Internal Revenue Code of 1986, as amended, and any current or future regulations promulgated thereunder (generally referred to as "FATCA"), the laws of any relevant taxing jurisdiction implementing FATCA, any intergovernmental agreement between the United States and any other jurisdiction to implement FATCA, or any agreement between the Issuer and the United States or any authority thereof entered into for FATCA purposes; or
- any combination of any of the foregoing items.

Additional amounts will also not be paid on any payment on any Note or guarantee to any holder of Notes who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent that payment would, under the laws of Australia or any political subdivision or taxing authority of Australia, be treated as being derived or received for tax purposes by a beneficiary or settlor with respect to that fiduciary or a member of that partnership or a beneficial owner who would not have been entitled to those additional amounts had it been the actual holder of the affected Notes.

These provisions will also apply to any taxes, duties, assessments or governmental charges of whatever nature imposed, levied or collected by or on behalf of any jurisdiction in which a successor to an Issuer or the relevant guarantor is organized or any political subdivision or taxing authority thereof or therein. Additional amounts may also be payable in the event of certain consolidations, mergers or sales of assets. For more information see "Mergers and Similar Events" and "Optional Tax Redemption." (Section 1009).

Optional Redemption

The Issuers may, at their option, redeem some or all of the Notes at any time, on at least 15 days, but not more than 45 days, prior notice mailed to the registered address of each holder of the Notes. In case of any redemption at the election of the Issuers of less than all the Notes, the Issuers shall, at least 5 days prior to giving notice of such redemption to the holders (unless a shorter notice is satisfactory to the trustee in its sole

discretion), notify the trustee of such Redemption Date and of the principal amount of the Notes to be redeemed by the trustee not more than 45 days prior to the Redemption Date. None of the trustee or the Agents shall be responsible for calculating or verifying the Make-Whole Amount.

If we redeem some or all of the Notes more than days prior to the maturity date, the redemption price will be equal to the sum of (i) 100% of the principal amount of the Notes to be redeemed plus accrued but unpaid interest thereon to, but not including, the Redemption Date; and (ii) the Make-Whole Amount, in each case as defined below. If we redeem some or all of the Notes days or fewer prior to the maturity date, the redemption price will equal 100% of the principal amount of the Notes to be redeemed plus accrued interest to the Redemption Date.

The definitions of terms used in the calculation of the redemption prices are as follows:

*"**Business Day**"* means each Monday, Tuesday, Wednesday, Thursday and Friday that is not a day on which banking institutions in any place of payment, such other location or the city in which the corporate trust office of the trustee is located, are authorized or obligated by law or executive order to close.

*"**Make-Whole Amount**"* means, in connection with any optional redemption of any Notes, the excess, if any, of:

(1) the aggregate present value as of the Redemption Date of (i) the remaining payments of interest, exclusive of interest accrued to, but not including the Redemption Date and, (ii) the principal amount that would have been payable on the Stated Maturity if the redemption had not been made, determined by discounting, on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months), the principal and interest at the Reinvestment Rate, determined on the third Business Day preceding the date notice of the redemption is given, from the respective dates on which the principal and interest would have been payable if the redemption had not been made, to, but not including, the Redemption Date, over

(2) the aggregate principal amount of the Notes being redeemed.

*"**Redemption Date**"* means the date fixed for redemption by the Issuers.

*"**Reinvestment Rate**"* means the yield on treasury securities at a constant maturity corresponding to the remaining life (as of the Redemption Date, and rounded to the nearest month) to Stated Maturity of the principal being redeemed (the "Treasury Yield") as stated in the Notes plus %. For purposes of calculating the Reinvestment Rate, the Treasury Yield will be equal to the arithmetic mean of the yields published in the Statistical Release under the heading "Week Ending" for "U.S. Government Securities—Treasury Constant Maturities" with a maturity equal to the remaining life. However, if no published maturity exactly corresponds to the remaining life, then the Treasury Yield will be interpolated or extrapolated on a straight-line basis from the arithmetic means of the yields for the next shortest and next longest published maturities. For purposes of calculating the Reinvestment Rate, the most recent Statistical Release published prior to the date of determination of the Make-Whole Amount will be used. If the format or content of the Statistical Release changes in a manner that precludes determination of the Treasury Yield in the above manner, then the Treasury Yield will be determined in the manner that most closely approximates the above manner, as reasonably determined by the Issuers.

*"**Stated Maturity**"* means the date specified for the Notes as the fixed date on which the principal of the Notes or interest is due and payable.

*"**Statistical Release**"* means the statistical release designated "H.15(519)" or any successor publication that is published weekly by the Federal Reserve System and that reports yields on actively traded United States government securities adjusted to constant maturities, or, if that statistical release is not published at the time of any required determination under the indenture, then another reasonably comparable index designated by the Group.

On and after the Redemption Date, interest will cease to accrue on the Notes or any portion of the Notes called for redemption, unless the relevant Issuer defaults in the payment of the redemption price. On or before the Redemption Date, the relevant Issuer will deposit with a paying agent or the trustee money sufficient to pay the redemption price of the Notes to be redeemed on that date.

The redemption price shall be calculated by the Issuers, and the trustee and any paying agent for the Notes shall be entitled to conclusively rely on such calculation.

The Notes may also be redeemed by the Issuers in certain circumstances where the Issuers or any guarantor would be required to pay additional amounts, as described above under "—Payment of Additional Amounts." See "Optional Tax Redemption."

In the event of redemption of the Notes in part only, there will be a new Note or Notes for the Notes for the unredeemed portion issued in the name of the holder. In the case of any such partial redemption, the trustee shall select the Notes to be redeemed by such method as is provided in the Notes, or in the absence of such provision, by such method as the trustee deems fair and appropriate.

Since a nominee of DTC will be the registered holder of the Notes held as Global Notes, notice by DTC to participating institutions and by these participations to street name holders of indirect interests in the Notes will be made according to arrangements among them and may be subject to statutory or regulatory requirements.

Restrictive Covenants

The indenture includes the following restrictive covenants. (Section 1001 of the indenture).

Each Issuer and each of the parent guarantors covenant and agree, for the benefit of the holders of the Notes, as follows:

- as of each Reporting Date, Net Debt will not exceed 65% of Net Assets;
- as of each Reporting Date, Secured Debt will not exceed 45% of Total Assets;
- the ratio of EBITDA for the twelve month period ending on each Reporting Date to Interest Expense for the same period will be at least 1.50:1.00;
- as of each Reporting Date, Unencumbered Assets will be at least 125% of the aggregate principal amount of all outstanding Unsecured Debt.

In addition, the Issuers and the guarantors shall cause each of their real property assets, and the real property assets of each of their Subsidiaries, to be appraised no less frequently than once every three years, by an Approved Independent Valuer, except that the foregoing requirement will not apply to real property assets undergoing material construction or material development. (Section 1002 of the indenture).

The relevant terms for the restrictive covenants are defined as follows:

*"**Affiliate**"* of any specified Person means any other Person directly or indirectly controlling or controlled by or under direct or indirect common control with such specified Person. For the purposes of this definition, "control" when used with respect to any specified Person means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" and "controlled" have meanings correlative to the foregoing.

*"**Approved Independent Valuer**"* means (i) each real estate appraisal or valuation firm named on Schedule I to the indenture, but only with respect to the jurisdiction set forth opposite its name thereon, or the successor entity of any of them; or (ii) a real estate appraisal or valuation firm specifically selected for purposes of the

indenture by the Board of Directors of the Group; provided, that (a) such firm is not an Affiliate of any member of the Group, (b) such firm is of comparable reputation as determined in good faith by the Board of Directors of the Group in the jurisdiction for which it is being selected to the firms set forth on Schedule I to the indenture, and (c) the Board of Directors of the Group causes the Board Resolutions setting forth the selection of such firm to specify its name, the jurisdiction for which it is being selected, and the findings of the Board of Directors confirming that the requirements of clauses (a) and (b) above have been satisfied.

*"**Balance Sheet**"* means the balance sheet included in the Consolidated Financial Statements.

*"**Board of Directors**"* means either the board of directors, or the equivalent body, of an Issuer, or any guarantor, as the case may be, or any duly authorized committee of that board or body.

*"**Board Resolution**"* when used with reference to an Issuer or any guarantor means a copy of a resolution, or the equivalent document, certified by a director, the Secretary or an Assistant Secretary, or a trustee as the case may be, of such Issuer or such guarantor, as applicable, to have been duly adopted by the Board of Directors and to be in full force and effect on the date of such certification, and delivered to the trustee.

*"**Cash and Cash Equivalents**"* means, at a Reporting Date, cash on hand and at bank, short term money market deposits and short term bank accepted bills of exchange, government and semi-government stocks or bonds which are readily convertible to cash of the Group on a consolidated basis included in the Consolidated Financial Statements for the applicable Reporting Date.

*"**Consolidated Financial Statements**"* means income statements, statements of cash flow and balance sheets together with statements, reports and notes (including, without limitation, directors' reports and auditors' reports (if any)) attached to or intended to be read with any of those statements, in relation to the Group as a consolidated entity, prepared in accordance with GAAP.

*"**EBITDA**"* means, in respect of any period, (i) Net Profit Before Tax, plus (ii) all borrowing costs (other than the interest element in respect of payments under Operating Leases), depreciation and amortization (other than in respect of assets the subject of Operating Leases) of the Group, and excluding (iii) without duplication, (a) all realized or unrealized gains and losses in respect of any Hedging Obligations entered into to hedge the value of any asset or liability appearing on the balance sheet of the Group; (b) all realized or unrealized gains and losses in respect of Hedging Obligations appearing on the profit and loss statement of the Group for future periods; (c) other unrealized asset revaluations and realized and unrealized gains and losses on capital transactions (including the sale of assets); (d) goodwill write-offs or goodwill amortization; (e) all Interest Income; and (f) any Significant Items, less an amount equal to any interest, dividends or distributions or other borrowing costs paid, payable or accrued under or in respect of any Effective Equity Security to which clause (iii) of the definition of "Hard Payment Date" applies, as shown in the Group's income statement or notes thereto for such period. In each case (i), (ii) and (iii) for such period, amounts will be determined on a consolidated basis in accordance with GAAP except to the extent GAAP is not applicable with respect to the determination of non-cash, extraordinary and non-recurring items.

*"**Effective Equity Allocated Asset**"* means an asset (other than an Effective Equity Security) owned or controlled by the issuer of an Effective Equity Security or another member of the Group that:

(i) can be delivered or transferred by such issuer or such other member of the Group to the holder of such Effective Equity Security in satisfaction of its obligations in respect of such Effective Equity Security, or towards the purchase of which such issuer or such other member of the Group can require the holder of such Effective Equity Security to apply the proceeds of redemption of such Effective Equity Security;

(ii) is not subject to a Lien (other than a Lien securing such Effective Equity Security or arising by law and securing an obligation that is not materially overdue or a Lien to which a holder of such Effective Equity Security would not be entitled to object at the time of its transfer or delivery); and

(iii) is determined by the Parent Guarantors to be an Effective Equity Allocated Asset in respect of such Effective Equity Security.

"***Effective Equity Security***" means at any time, a Marketable Security that:

(i) is issued by a member of the Group and satisfies the following conditions:

- it has no Hard Payment Date falling earlier than the Final Maturity Date;
- it contains no provision as a result of which it could have a Hard Payment Date (other than as a result of the exercise of a discretion by the issuer of such Effective Equity Security) earlier than the Final Maturity Date; and
- is either:

(1) in the form of shares in a company or units in a trust; or

(2) subordinated in right of proof and distribution in respect of such proof to the general creditors of the issuer of such Effective Equity Security (or any trust of which such issuer is acting as trustee) in any winding up, bankruptcy, administration, scheme of arrangement or any other form of insolvency administration of such issuer (or such trust) and not secured by any asset other than an Effective Equity Allocated Asset; or

(ii) satisfies one of the following conditions:

- prior to redemption (or, if earlier, upon winding up of the issuer of such Effective Equity Security), it will be transferred to another member of the Group and either:

(1) the holder will then have no recourse to any member of the Group for any principal, interest or similar amounts other than recourse to a member of the Group under a Marketable Security in relation to which the conditions specified in clause (i) above are satisfied; or

(2) the holder will then have no recourse to any member of the Group for any principal, interest or similar amounts other than recourse under an Effective Equity Security in relation to which the conditions specified in clause (ii)(b) below are satisfied; or

- is limited recourse to, or issued by a member of the Group that has no assets (other than immaterial assets) other than, obligations of a member of the Group in relation to which the conditions specified in clause (i) above are satisfied, and includes any Relevant Guarantee Obligation or other obligation of another member of the Group in respect of an Effective Equity Security provided that the conditions specified in clause (i) above are also satisfied in relation to such Relevant Guarantee Obligation or other obligation.

*"**Final Maturity Date**"* means, from time to time, the latest date upon which amounts owing with respect to any security issued under the indenture are due to be repaid.

*"**generally accepted accounting principles**" or "**GAAP**"* means generally accepted accounting principles in Australia; provided, however, that for purposes of all computations required or permitted for purposes of the restrictive covenants set forth in Section 1001 of the indenture, all such computations shall be based upon the valuations derived from the appraisals performed in accordance with Section 1002 of the indenture.

*"**Group**"* means the Issuers and the parent guarantors and their respective Subsidiaries, taken as a whole.

*"**Group Trust**"* means any trust or managed investment scheme in respect of which a Group Trustee is trustee or responsible entity.

*"**Group Trustee**"* means (i) each Issuer Trustee, (ii) each Guarantor Trustee, and (iii) each other trustee or responsible entity of a trust or a managed investment scheme, which trust or managed investment scheme is included as a Subsidiary of an Issuer or any Guarantor. For the avoidance of doubt, "Group Trustee" shall not include the trustee under the indenture.

*"**Guarantor Trustee**"* means RE2 Limited, as responsible entity and trustee of SGT3, and (ii) any other guarantor which is or becomes bound by the indenture or any Notes in its capacity as trustee or responsible entity of a trust, and includes any replacement responsible entity or a replacement trustee for any of them.

*"**Hard Payment Date**"* means, in respect of a Marketable Security, a date on which the holder of such Marketable Security could require the issuer of such Marketable Security to satisfy a payment, delivery or transfer obligation in respect of such Marketable Security, other than:

(i) in the winding up of the issuer of such Marketable Security, or of any trust as trustee of which such issuer has issued the Marketable Security;

(ii) an obligation that the issuer of such Marketable Security has the discretion to defer until after the Final Maturity Date or, in the case of interest, dividends or similar amounts, for not less than five years from the date it is originally scheduled to fall due (which discretion may be unconditional or subject to compliance with any applicable obligation not to pay distributions or interest on its ordinary equity or other equity or on other obligations that rank or are expressed to rank equally with or junior to the Effective Equity Security to which such Marketable Security relates);

(iii) an obligation to make, or cause to be made, a payment only out of or limited to the net income, cash flows or other proceeds of an Effective Equity Allocated Asset (or, if such Effective Equity Allocated Asset is a proportionate interest in another asset, a corresponding proportion of the proceeds of such other asset) or a portion thereof;

(iv) an obligation to make a payment that the issuer of such Marketable Security is (subject to delivering clear title but otherwise in all circumstances) entitled to require the holder to apply in payment for an Effective Equity Security or any related Effective Equity Allocated Assets or any shares in a Parent Guarantor or units in a Primary Trust; or

(v) an obligation to issue, deliver or transfer, or that can be satisfied by the issue, delivery or transfer of, an Effective Equity Security or an Effective Equity Allocated Asset or any shares in a Primary Obligor or units in a Primary Trust.

*"**Hedging Obligation**"* means each interest rate transaction, foreign exchange transaction, equity or equity index option, bond option, commodity swap, commodity option, cap transaction, currency swap transaction, cross-currency swap rate transaction or any other hedge or derivative agreement, including any master agreement and any transaction or confirmation under it.

*"**Indebtedness**"* means, without duplication, any indebtedness of any member of the Group in respect of (i) any acceptance credit, bill acceptance or bill endorsement or similar facility; (ii) borrowed money evidenced by bonds, notes, debentures, loan stock or similar instruments whether secured or unsecured (excluding indebtedness secured by Cash and Cash Equivalents or defeased indebtedness); (iii) any reimbursement obligations in respect of a bond, standby or documentary letter of credit or any other similar instrument, issued by a bank or financial institution, but excluding any reimbursement obligation that has not yet fallen due (or any reimbursement obligation to the extent cash collateralized) in respect of a bond, standby or documentary letter of credit or any other similar instrument, issued by a bank or financial institution, that is not in respect of Indebtedness and has not yet been called or paid; (iv) amounts representing the balance deferred and unpaid for a period of more than 180 days of the purchase price of any property except any amount that constitutes an accrued expense or trade payable; (v) the amount of any liability in respect of any lease or hire purchase contract that would, in accordance with GAAP, be treated as a finance lease or capital lease, other than a ground lease and other than an Operating Lease; and (vi) any guarantee or indemnity against loss in respect of any of the items referred to in paragraphs (i) through (vi) above, for another Person, but does not include any marked to market gain or loss in respect of the equity component of convertible instruments or any liability or amount payable under any Effective Equity Security (including any Relevant Guarantee Obligations or other obligations referred to in the last paragraph of the definition of "Effective Equity Security," but excluding any accrued interest or similar entitlement that has been deferred on terms that it may become due before the Final Maturity Date).

*"**Interest Expense**"* means, for any period, amounts determined on a consolidated basis and in accordance with GAAP being all borrowing costs of the Group (including any interest capitalized into the carrying value of an asset during the period and excluding marked-to-market adjustments included in the borrowing costs of the Group for that period as a result of the application of Australian Accounting Standard AASB 9 (or any successor or replacement standard) and excluding dividends, distributions or other costs paid or accrued on stapled or unstapled units in listed trusts, amounts attributable to ground lease payments and amounts in respect of Operating Leases) less (i) any interest income in relation to a Hedging Obligation that is included in Net Profit Before Tax for that period; (ii) dividends, distributions or other costs paid or accrued on preference shares; (iii) amortization of debt issuance costs; (iv) to the extent included in such Interest Expense, any interest, dividends or distributions or other borrowing costs paid, payable or accrued under or in respect of any Effective Equity Security, as shown in the Group's income statement or notes thereto for such period; and (v) the amount of Interest Income for that period.

*"**Interest Income**"* means, for any period, amounts determined on a consolidated basis and in accordance with GAAP as being all interest, amounts in the nature of interest, fees, commissions, discounts and other finance payments which accrued to the Group during that period.

*"**Lien**"* means, without duplication, a mortgage, charge, pledge, lien or other security interest or other preferential interest or arrangement having a similar economic effect, excluding any right of set-off, but including any conditional sale or other title retention arrangement or any finance leases.

*"**Marketable Security**"* means any share, unit, debenture, note or other security or other debt or equity obligation.

*"**Net Assets**"* means, at a Reporting Date, Total Assets less Cash and Cash Equivalents of the Group, in each case, on a consolidated basis and as shown in the Consolidated Financial Statements for that Reporting Date.

*"**Net Debt**"* means, at a Reporting Date, Total Debt less Cash and Cash Equivalents of the Group, in each case, on a consolidated basis and as shown in the Consolidated Financial Statements for that Reporting Date.

*"**Net Profit Before Tax**"* means, for a period, the operating profit before tax, excluding Significant Items, of the Group for that period determined on a consolidated basis in accordance with GAAP.

*"**Operating Lease**"* means a lease, hire purchase or similar contract which would, in accordance with GAAP in force before January 1, 2019, have been treated as an operating lease.

*"**Person**"* means any individual, corporation, partnership, limited liability company, joint venture, association, joint-stock company, trust, unincorporated organization or government or any agency or political subdivision thereof.

*"**Permitted Lien**"* means (i) any Lien arising by operation of law and in the ordinary course of business including (a) a Lien for taxes not yet due and payable or being contested in good faith and for which adequate reserves have been established in accordance with GAAP; (b) a possessory lien for the unpaid balance of moneys owing for work, repairs, warehousing, storage, delivery or other services; and (c) any other Lien of landlords, carriers, warehousemen, mechanics, materialmen, repairers or other similar service providers which arise by law or by statute and in the ordinary course of business (and whether registration to perfect such Lien is or is not required); provided that either: (1) there is no default with respect to the obligations secured by that Lien; or (2) the obligations secured by the Lien are being, or within a reasonable time after the judgment will be, appealed or otherwise contested in good faith or paid in full; (ii) any Lien that is created or provided for by: (a) a lease or bailment of goods in respect of which a member of the Group is the lessee or bailee; (b) a commercial consignment of goods in respect of which a member of the Group is a consignee; or (c) a transfer of an account

receivable or chattel paper in respect of which a member of the Group is transferor, and, in the case of the immediately foregoing clauses (a), (b) and (c), such Lien does not secure payment or performance of an obligation; (iii) any Lien in respect of personal property which is, or has at any time been, a purchase money security interest in favor of a seller securing all or part of the purchase price for personal property which is acquired by a member of the Group in the ordinary course of its business; provided that either: (a) there is no default with respect to the obligations secured by that Lien; or (b) the obligations secured by the Lien are being, or within a reasonable time after the judgment will be, appealed or otherwise contested in good faith or paid in full; (iv) a right of title retention in connection with acquisition of goods in the ordinary course of business on the usual terms of sale of the supplier where there is no default in connection with the relevant acquisition; (v) the lien of a Group Trustee or a custodian in respect of the assets of a Group Trust or other trust or managed investment scheme in relation to its rights of indemnity in respect of those assets; (vi) any Lien granted or created by a Group Trustee or a custodian over the right of indemnity or equitable lien held by it in its personal capacity over assets held by it as trustee or responsible entity where those assets are not, nor required to be, included in the most recent Consolidated Financial Statements of the Group; (vii) any Lien that arises by operation of law or the terms of the judgment in respect of a judgment where the judgment is being, or will within a reasonable time after the judgment be, appealed or otherwise contested in good faith or paid in full; (viii) any Lien that consists of an easement, right of way, encroachment, reservation, restriction or condition on any real property interest where such encumbrance does not materially interfere with or impair the operation, use or other disposal of the property affected; (ix) any Lien consisting of minor defects or irregularities in the title to any real property interest which does not materially interfere with or impair the operation, use or other disposal of such property; (x) a deposit or a payment of Cash and Cash Equivalents provided or made in connection with any actual or contingent liability arising under or in connection with a Hedging Obligation; (xi) any Lien granted or created over any Effective Equity Allocated Asset to secure the related Effective Equity Security; (xii) a Sydney Lien; or (xiii) any Lien not otherwise permitted by the preceding clauses not exceeding A$50 million in aggregate at any one time outstanding.

*"**Primary Trust**"* means each of Scentre Group Trust 1, Scentre Group Trust 2, Scentre Group Trust 3 (ARSN 146 934 652) or any trust or managed investment scheme the trustee or responsible entity of which is or becomes, in that capacity, a parent guarantor.

*"**Relevant Guarantee Obligation**"* means, with respect to any Person, any guarantee, suretyship, letter of credit, letter of comfort or any other obligation:

(i) to provide funds (whether by the advance or payment of money, the purchase of or subscription for shares or other securities, the purchase of assets or services, or otherwise) for the payment or discharge of;

(ii) to indemnify any person against the consequences of default in the payment of; or

(iii) to be responsible for, any debt or monetary liability of any other Person or the assumption of any responsibility or obligation in respect of the insolvency or financial condition of any other Person.

*"**Reporting Date**"* means June 30 and December 31 of each year, the first of which is June 30, 2020.

*"**Secured Debt**"* means, at a Reporting Date, the portion of the Total Debt at that Reporting Date that is secured by a Lien (other than a Permitted Lien) on any asset of any member of the Group.

*"**Significant Item**"* means any non-cash item which is regarded as a significant item in accordance with GAAP and reported as such in the Consolidated Financial Statements.

*"**Subsidiary**"* of any Person means (i) any entity whose profit and loss are required by GAAP to be included in the consolidated annual profit and loss statements of such Person or would be so required if that entity were a corporation; or (ii) any corporation, association or other business entity of which more than 50% of the outstanding total voting power ordinarily entitled (without regard to the occurrence of any contingency) to vote

in the election of directors, managers or trustees thereof is at the time owned or controlled, directly or indirectly, by that Person or by one or more other Subsidiaries, or by that Person and one or more other Subsidiaries; or (iii) any partnership, the sole general partner or the managing general partner of which is that Person or a Subsidiary of that Person or the only general partners of which are that Person or of one or more Subsidiaries of that Person (or any combination thereof).

*"**Sydney Controller**"* means a receiver, manager, receiver and manager, administrative receiver, mortgagee in possession or other controller appointed or acting under a right, power, authority, discretion or remedy under a Sydney Lien whose rights and powers are, by the terms of a Sydney Lien, limited to Pre Liquidation Enforcement Rights (as that expression is defined in the Sydney Liens dated August 12, 2019).

*"**Sydney Lien**"* means:

(i) the real property mortgage over the land described in Folio 1/1182754 dated August 12, 2019 given by the Sydney Trustees in favor of P.T. Limited (in its capacity as security trustee of The Pitt Leasehold Security Trust) or any successor of P.T. Limited as such security trustee;

(ii) any Lien granted as a featherweight security deed by a Sydney Trustee to P.T. Limited (in its capacity as security trustee of The Pitt Leasehold Security Trust or to any successor of P.T. Limited as such security trustee) including the deed dated August 12, 2019 granted by Scentre Sydney No 1 Pty Limited as Sydney Trustee One and the deed dated August 12, 2019 granted by Scentre Sydney No 2 Pty Limited as Sydney Trustee Two;

(iii) any Lien granted in replacement of any Lien referred to in clauses (i) or (ii) of this definition (provided such lien secures the same moneys and obligations as the Lien dated August 12, 2019 and is automatically released in the same circumstances as the Lien dated August 12, 2019); or

(iv) any Lien collateral to any Lien referred to in clauses (i), (ii) or (iii) of this definition over the same property and securing the same moneys and obligations (provided such lien secures the same moneys and obligations as the Lien dated August 12, 2019 and is automatically released in the same circumstances as the Lien dated August 12, 2019).

*"**Sydney Trustee**"* means Sydney Trustee One or Sydney Trustee Two.

*"**Sydney Trustee One**"* means Scentre Sydney No 1 Pty Limited as trustee of Scentre Sub-Trust G (ABN 55 864 011 850) or any entity appointed as successor trustee of that trust.

*"**Sydney Trustee Two**"* means Scentre Sydney No 2 Pty Limited as trustee of Sydney Investment Trust (ABN 64 933 862 645) or any entity appointed as successor trustee of that trust.

*"**Total Assets**"* means, at a Reporting Date, the total assets of the Group determined on a consolidated basis as shown in its Balance Sheet in its Consolidated Financial Statements for that Reporting Date and adjusted to: (i) exclude any revaluation of any non-financial asset which is not approved by an Approved Independent Valuer; (ii) exclude the aggregate, on a consolidated basis and without duplication, of all receivables of the Group that are unrealized marked-to-market gains in respect of Hedging Obligations entered into to hedge the value of any asset or liability and that are included in the Balance Sheet for the Group; (iii) exclude the value attributable to ground leases and Operating Leases as deducted in accordance with the definition of Indebtedness; and (iv) exclude the aggregate value of all Effective Equity Allocated Assets.

*"**Total Debt**"* means, at a Reporting Date, the aggregate principal amount of all Indebtedness of the Group determined on a consolidated basis as shown in its Balance Sheet in its Consolidated Financial Statements for that Reporting Date and adjusted to: (i) include the aggregate, on a consolidated basis and without duplication, of all payables of the Group that are unrealized marked-to-market losses in respect of any Hedging Obligations entered into to hedge the value of any asset or liability and that are included in the Balance Sheet for the Group;

(ii) include, as a reduction to Total Debt, the aggregate, on a consolidated basis and without duplication, of all receivables of the Group that are unrealized marked-to-market gains in respect of any Hedging Obligations entered into to hedge the value of any asset or liability and that are included in the Balance Sheet for the Group; and (iii) include the principal amount of, but not the marked-to-market amount of, fixed rate debt in relation to an acquisition.

*"**Unencumbered Assets**"* means, at a Reporting Date, any assets included in Total Assets for that Reporting Date but excluding (i) any asset included in Total Assets that is secured by a Lien (other than a Permitted Lien); and (ii) any investment in a Person not consolidated for accounting purposes with the Group if any assets of that unconsolidated Person are secured by a Lien (other than a Permitted Lien).

*"**Unsecured Debt**"* means, at a Reporting Date, Total Debt for the applicable Reporting Date less Secured Debt for that Reporting Date.

Defeasance and Discharge

The Issuers or the guarantors can legally release themselves from any payment or other obligations on the Notes or the guarantees, as the case may be, except for various obligations described below, if the Issuers or the guarantors, in addition to other actions, put in place the following arrangements for you to be repaid:

- the relevant Issuer or guarantor must deposit or cause to be deposited in trust, for your benefit and the benefit of all other direct holders of the Notes cash, United States government or United States government agency notes or bonds, or a combination of these, that will generate enough money to make interest, principal and any other payments on the Notes on their various due dates. (Section 404); and
- the relevant Issuer or guarantor must deliver to the trustee an officers' certificate of such Issuer or guarantor and a legal opinion of such Issuer's or guarantor's counsel confirming that either (A) there has been a change in United States federal income tax law or regulation or (B) such Issuer or guarantor has received from, or there has been published by, the United States Internal Revenue Service a ruling, in each case to the effect that it or they may make the above deposit and be so released without causing you to be taxed on the Notes any differently than if it or they did not make the deposit and were not so released and just repaid the Notes themselves at stated maturity. (Section 404).

provided, *however*, that the legal opinion required above need not be delivered if the Notes not delivered to the trustee for cancellation have become due and payable, or will become due and payable at the stated maturity for the Notes within one year under arrangements reasonably satisfactory to the trustee for the giving of notice of redemption by the trustee in the name, and at the expense, of the Issuers. (Section 404).

However, even if an Issuer or a guarantor takes these actions, a number of their obligations relating to the Notes or the guarantees, as the case may be, will remain. These include the following obligations:

- to register the transfer and exchange of Notes;
- to replace mutilated, destroyed, lost or stolen Notes;
- to maintain paying agencies; and
- to hold money for payment in trust. (Section 401).

Covenant Defeasance

The Issuers or the guarantors can be legally released from compliance with certain covenants, including those described under "Restrictive Covenants" and including the corresponding Events of Default, if the relevant Issuer or guarantor takes, in addition to other actions, all the steps described above under "Defeasance and

Discharge," including an officers' certificate of such Issuer or guarantor and a legal opinion of such Issuer's or guarantor's counsel confirming that it or they may make the deposit and be so released from compliance with such covenants without causing the holders of the Notes to be taxed, for United States federal income tax purposes, on the Notes any differently than if it or they did not make the deposit and were not so released from compliance with such covenants and just repaid the Notes themselves at stated maturity except that such officers' certificate or the opinion of counsel does not have to refer to a change in United States federal income tax laws or regulations or a ruling from the United States Internal Revenue Service. (Sections 403 and 404).

Default and Related Matters

Events of Default

You will have special rights if an event of default occurs with respect to the Notes and is not cured, as described later in this subsection.

What is an Event of Default? The term event of default means any of the following with respect to the Notes:

- default in the payment of the principal or any premium on the Notes, only if such default persists for a period of more than three business days;
- default in the payment of any interest or any additional amounts on the Notes within 30 days of its due date, unless there is a valid extension of the interest payment period;
- default in the performance, or breach, of any covenant or warranty of the Issuers or any guarantor in the indenture applicable to the Notes for 60 days after the Issuers and the guarantors receive notice of default. The notice must be sent by either the trustee or holders of 25% of the aggregate principal amount of the Notes outstanding;
- default under any recourse indebtedness of the Issuers or any guarantor under one or more agreements or instruments evidencing an aggregate principal amount of at least A$50 million (or its equivalent in any other currency or currencies) as and when that indebtedness becomes due and payable, after the expiration of any applicable grace periods, which results in that indebtedness being declared due and payable prior to its stated maturity date, without such recourse indebtedness having been discharged or repaid, or any acceleration having been rescinded or annulled, within a period of 30 days after the Issuers receive notice of default. The notice must be sent by either the trustee or holders of 25% of the aggregate principal amount of the Notes outstanding;
- a court of competent jurisdiction makes an order or decree for relief in respect of the Issuers or any guarantor or any significant subsidiary in an involuntary case or proceeding under any applicable bankruptcy law, or adjudging the Issuers or any guarantor or significant subsidiary to be bankrupt or insolvent, or approving as properly filed a petition under any applicable bankruptcy law seeking reorganization, arrangement, adjustment or composition of or in respect of the Issuers or any guarantor or any significant subsidiary under any applicable federal or state law, or an order for the winding up, or liquidation of the Issuers or any guarantor or significant subsidiary, or appointing a receiver, liquidator, custodian, assignee, sequestrator trustee or other similar official of the Issuers or any guarantor or significant subsidiary or of any substantial part of its property (or in the case of a Group Trustee, the property of the relevant Group Trust), except where such appointment is solely in respect of Indebtedness that is not recourse indebtedness, and the order, appointment or entry is not stayed within 60 days of the order, appointment or entry, provided that such an order or decree shall not be an event of default if it:
    - forms part of a scheme, reconstruction, reorganization, merger, stapling transaction, amalgamation or voluntary liquidation of the Issuers or a guarantor and that is allowed under the indenture; or

- forms part of a scheme, reconstruction, reorganization, merger, stapling transaction, amalgamation or voluntary liquidation of a significant subsidiary which is solvent and the surviving entity is or will be a member of the Group; or
- forms part of a scheme, reconstruction, reorganization, merger, stapling transaction, amalgamation or consolidation where (1) each Issuer and each guarantor becomes a direct or indirect wholly owned Subsidiary of the same entity where that entity within 30 business days after the scheme, reconstruction, reorganization, merger, stapling transaction, amalgamation or consolidation is finally effected becomes a new parent guarantor in accordance with the indenture, (2) each Issuer and each parent guarantor, other than one of them, become direct or indirect wholly owned Subsidiaries of that other one, or (3) following such scheme, reconstruction, reorganization, merger, stapling transaction, amalgamation or consolidation, (x), all or substantially all of the properties and assets of the Group (determined on a consolidated basis) are either owned, directly or indirectly, by a new entity or continue to be owned, directly or indirectly, by the Group, and (y) at least a majority of the total voting power of such new entity or the Group, as applicable, is, as of or immediately following such scheme, reconstruction, reorganization, merger, stapling transaction, amalgamation or consolidation, beneficially owned by the same persons that beneficially owned at least a majority of the total voting power of the Group immediately prior to such scheme, reconstruction, reorganization, merger, stapling transaction, amalgamation or consolidation becoming effective, and (z) in the case of a scheme, reconstruction, reorganization, merger, stapling transaction, amalgamation or consolidation with a new entity, within 30 business days after the scheme, reconstruction, merger, stapling transaction, amalgamation or consolidation is finally effected, such new entity becomes a new guarantor in accordance with the indenture; or
- occurs in relation to a Group Trustee (other than a parent guarantor or any of its Subsidiaries or a significant subsidiary), in its own right (and not in respect of the relevant Group Trust), and a new responsible entity or trustee who assumes all of the Group Trustee's obligations under the indenture is appointed in respect of the Group Trust within 60 business days of the occurrence of that event; or
- where such order or decree occurs in relation to a transaction that is covered by any combination of the foregoing transactions (or any portions thereof); and

- the commencement by an Issuer or any guarantor or significant subsidiary of a voluntary case or proceeding under applicable bankruptcy law or of any other proceeding to be adjudicated a bankrupt or insolvent, or the consent by such Issuer or such guarantor or significant subsidiary to the entry of a decree or order for relief in respect of such Issuer or such guarantor or significant subsidiary in an involuntary proceeding under any bankruptcy law or to the commencement of any bankruptcy or insolvency proceeding against such Issuer or guarantor or significant subsidiary, or the filing or consent to such filing by such Issuer or such guarantor or significant subsidiary of a petition under any applicable bankruptcy law seeking reorganization or relief under any applicable federal or state law, or consent to the appointment of or taking possession by a receiver, liquidator, custodian, trustee or similar official of such Issuer or such guarantor or significant subsidiary or of any substantial part of their respective property, except where such appointment or such taking of possession is solely in respect of indebtedness that is not recourse indebtedness, or the making by such Issuer or such guarantor or significant subsidiary of an assignment for the benefit of creditors, or the admission by such Issuer or such guarantor or significant subsidiary in writing of its inability to pay its debts generally as they become due, or the taking of corporate action by such Issuer or such guarantor or significant subsidiary in furtherance of any such action; *provided* that such an order or decree shall not be an event of default if it:
  - forms part of a scheme, reconstruction, reorganization, merger, stapling transaction, amalgamation or voluntary liquidation of the Issuers or a guarantor (in each case which is solvent) that is allowed under the indenture; or

- forms part of a scheme, reconstruction, reorganization, merger, stapling transaction, amalgamation or voluntary liquidation of a significant subsidiary which is solvent and the surviving entity is or will be a parent guarantor or one of its Subsidiaries; or
- forms part of a scheme, reconstruction, reorganization, merger, stapling transaction, amalgamation or consolidation where (1) each Issuer and each guarantor becomes a direct or indirect wholly owned Subsidiary of the same entity where that entity within 30 business days after the scheme, reconstruction, reorganization, merger, stapling transaction, amalgamation or consolidation is finally effected becomes a new parent guarantor in accordance with the indenture, (2) each Issuer and each parent guarantor, other than one of them, become direct or indirect wholly owned Subsidiaries of that other one, and in each such case where the relevant Issuer survives, or (3) following such scheme, reconstruction, reorganization, merger, stapling transaction, amalgamation or consolidation, (x) all or substantially all of the properties and assets of the Group (determined on a consolidated basis) are either owned, directly or indirectly, by a new entity or continue to be owned, directly or indirectly, by the Group, and (y) at least a majority of the total voting power of such new entity or the Group, as applicable, is, as of or immediately following such scheme, reconstruction, reorganization, merger, stapling transaction, amalgamation or consolidation, beneficially owned by the same persons that beneficially owned at least a majority of the total voting power of the Group immediately prior to such scheme, reconstruction, reorganization, merger, stapling transaction, amalgamation or consolidation becoming effective, and (z) in the case of a scheme, reconstruction, reorganization, merger, stapling transaction, amalgamation or consolidation with a new entity, within 30 business days after the scheme, reconstruction, merger, stapling transaction, amalgamation or consolidation is finally effected, such new entity becomes a new guarantor in accordance with the indenture; or
- occurs in relation to a Group Trustee (other than a parent guarantor or any of its Subsidiaries or a significant subsidiary), in its own right (and not in respect of the relevant Group Trust), and a new responsible entity or trustee who assumes all of the Group Trustee's obligations under the indenture is appointed in respect of the Group Trust within 60 business days of the occurrence of that event; or
- occurs in relation to a transaction that is covered by any combination of the foregoing transaction (or any portions thereof).

If an event or circumstance occurs in respect of an Effective Equity Security which would otherwise be an Event of Default, despite the above, that event or circumstance shall not constitute an Event of Default unless it results (other than by reason of an election by a member of the Group) in a Hard Payment Date occurring at a time the Effective Equity Security is held by a person other than a member of the Group.

Notwithstanding anything to the contrary under this heading "Events of Default," no Event of Default occurs solely as a result of a Sydney Controller being appointed, remaining appointed or taking possession, as a Sydney Controller, of property or assets the subject of a Sydney Lien.

Remedies if an Event of Default Occurs. If an event of default has occurred and has not been cured, the trustee or the holders of 25% in aggregate principal amount of the Notes may, by notice in writing to the Issuers and the parent guarantors, declare the entire principal amount of all the Notes to be due and immediately payable. This is called a declaration of acceleration of maturity. A declaration of acceleration of maturity may be cancelled by the holders of at least a majority in principal amount of the Notes if an Issuer or a guarantor has paid the outstanding amounts, other than amounts due because of the acceleration of maturity, and the Issuers or a guarantor has satisfied certain other conditions. (Section 502).

Except in cases of default, the trustee is not required to take any action under the indenture at the request of any holders unless the holders offer the trustee reasonable protection from expenses and liability. This protection

is called an indemnity. (Section 603). If an indemnity to the trustee is provided, the holders of a majority in principal amount of the outstanding Notes may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the trustee. These majority holders may also direct the trustee in performing any other trust or power conferred on the trustee under the indenture. (Section 512).

Before you bypass the trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the Notes, the following must occur:

- you must give the trustee written notice that an event of default with respect to the Notes has occurred and remains uncured;
- the holders of not less than 25% in aggregate principal amount of all outstanding Notes must make a written request that the trustee take action because of the default, and must offer indemnity and/or security satisfactory to the trustee against the cost and other liabilities of taking that action; and
- the trustee must have not taken action for 60 days after receipt of the above notice and offer of indemnity and/or security satisfactory to the trustee and the trustee has not received an inconsistent direction from the holders of a majority in principal amount of all outstanding Notes during that period. (Section 507).

However, such limitations do not apply to a suit instituted by you for the enforcement of payment of the principal of or interest on a Note on or after the respective due dates. (Section 508).

Street name and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and to make or cancel a declaration of acceleration.

Each Issuer and each of the guarantors will furnish to the trustee every year a written statement of certain of such Issuer's or guarantor's officers certifying that, to their knowledge, such Issuer or guarantor has fulfilled its material obligations under the indenture throughout such year, or, if there has been a default in the fulfillment of any such obligation, specifying each such default. (Section 1004).

Further Issues

We may from time to time, without notice to or the consent of the registered holders of the Notes offered in this offering, create and issue additional debt securities having the same terms as and ranking equally and ratably with the Notes offered in this offering in all respects so that such additional debt securities shall be consolidated and form a single series with, and shall have the same terms as to status, redemption or otherwise as, the Notes. Such additional debt securities may not be fungible with the Notes for United States federal income tax purposes.

Governing Law

The indenture, the Notes and the guarantees will be, governed by and construed in accordance with the laws of the State of New York.

Consent to Service of Process

The indenture provides that the Issuers and the guarantors have each appointed CT Corporation as their authorized agent for service of process in any legal action or proceeding arising out of, or relating to, the indenture or the Notes offered under the indenture brought in any federal or state court in the Borough of Manhattan, The City of New York, and the Issuers and guarantors will irrevocably submit to the non-exclusive jurisdiction of such courts in any such legal action or proceeding.

TAX MATTERS

The following statements with regard to certain United States and Australian income tax, New Zealand withholding tax and income tax consequences of an investment in the Notes, potential Australian withholding tax consequences of a payment by a guarantor resident in Australia and potential New Zealand withholding tax consequences of a payment by a guarantor resident or having a branch in New Zealand are based on the tax advice we have received. These statements do not take into account all the specific circumstances that may be relevant to a particular holder of the Notes. We urge you to consult your advisors concerning the consequences, as they relate to you and your specific circumstances, under Australian, New Zealand and United States federal, state and local tax laws, and the laws of any other relevant taxing jurisdiction of investing in the Notes.

Certain United States Federal Income Tax Consequences

The following discussion is a summary of United States federal income tax consequences generally applicable to the ownership and disposition of Notes by holders that acquire the Notes for cash at their original issue price pursuant to this offer. The summary is based on the Internal Revenue Code of 1986, as amended (the "Code"), United States Treasury Regulations, judicial decisions, published positions of the Internal Revenue Service (the "IRS") and other applicable authorities, all as in effect as of the date hereof and all of which are subject to change or differing interpretations (possibly with retroactive effect). The discussion does not address all of the tax consequences that may be relevant to a particular person or to persons subject to special treatment under United States federal income tax laws (such as broker dealers, insurance companies, banks and other financial institutions, expatriates, tax-exempt organizations, or persons that are, or hold their Notes through, partnerships or other pass-through entities), to United States Holders (as defined below) whose functional currency is not the United States dollar or to persons that hold Notes as part of a straddle, hedge, conversion, synthetic security or constructive sale transaction for United States federal income tax purposes, all of whom may be subject to tax rules that differ from those summarized below. Moreover, this discussion does not consider the effect of any non-United States, state, local or other tax laws, the 3.8% Medicare contribution tax imposed on certain net investment income, special tax accounting rules that apply as a result of any item of gross income with respect to the Notes being taken into account on an applicable financial statement or generally any other United States tax consequences other than United States federal income tax consequences that may be applicable to investors. This summary deals only with persons who hold the Notes as capital assets within the meaning of the Code (generally, property held for investment). No assurance can be given that the IRS would not assert, or that a court would not sustain, a position contrary to any of those set forth below. Holders are urged to consult their tax advisors as to the particular United States federal tax consequences to them of owning and disposing of the Notes, as well as the effects of state, local and non-United States tax laws.

For purposes of this discussion, a "non-United States Holder" means any beneficial owner of a Note (other than a partnership or entity or arrangement treated as a partnership for United States federal income tax purposes) that is not a "United States Holder." A "United States Holder" means a beneficial owner of the Notes (as determined for United States federal income tax purposes) that is, or is treated as, a citizen or individual resident of the United States, a corporation (including any entity treated as a corporation for United States federal income tax purposes) created or organized in or under the laws of the United States or any political subdivision thereof or therein, an estate the income of which is subject to United States federal income taxation regardless of its source, or a trust if (i) a court within the United States is able to exercise primary supervision over the administration of the trust and one or more United States persons have the authority to control all substantial decisions of the trust or (ii) the trust has a valid election in effect under applicable United States Treasury Regulations to be treated as a United States person.

If a partnership (including any entity or arrangement treated as a partnership or other pass-through entity for United States federal income tax purposes) is a holder of the Notes, the United States federal income tax treatment of a partner in the partnership will generally depend on the status of the partner and the activities of the partnership. Partners and partnerships are urged to consult their tax advisors as to the particular United States federal income tax consequences applicable to them.

United States Holders

Payments of Interest

Payments of interest on the Notes will be taxable to a United States Holder as ordinary interest income at the time such holder receives or accrues such amounts, in accordance with such holder's regular method of tax accounting. Such interest will generally be treated as foreign source income. Subject to applicable limitations under the Code and the United States Treasury Regulations and subject to the discussion below, any non-United States withholding tax imposed on interest payments in respect of the Notes will be treated as a foreign income tax eligible for credit against a United States Holder's United States federal income tax liability (or, at a United States Holder's election, may, in certain circumstances, be deducted in computing taxable income). If a United States Holder elects to claim a foreign tax credit, rather than a deduction for a particular tax year, such election will apply to all foreign income taxes paid by the holder in that particular year. Interest paid on the Notes will generally be treated as "passive category income" for United States foreign tax credit purposes. The Code applies various limitations on the amount of foreign taxes that may be claimed as a credit by United States taxpayers. Because of the complexity of those limitations, United States Holders are urged to consult their tax advisors with respect to the amount of foreign taxes that can be claimed as a credit or, in the alternative, as a deduction.

Sale, Exchange or Other Disposition of the Notes

Upon the sale, exchange or other disposition of a Note, a United States Holder will generally recognize capital gain or loss equal to the difference, if any, between the amount realized upon such sale, exchange or other disposition (other than amounts representing accrued and unpaid interest, which will be subject to tax as ordinary income to the extent not previously included in income) and such holder's adjusted tax basis in the Note at the time. A United States Holder's adjusted tax basis in a Note at any particular time generally will equal such United States Holder's initial investment in the Note. Such gain or loss generally will be United States source income or loss for United States foreign tax credit purposes. Moreover, any such gain or loss will be long-term capital gain or loss if the United States Holder's holding period with respect to the Note disposed of is more than one year at the time of the sale, exchange or other disposition. The deductibility of capital losses by a United States Holder is subject to limitations.

Non-United States Holders

Subject to the discussion of FATCA and backup withholding below, a non-United States Holder generally should not be subject to U.S. federal income or withholding tax on any payments on the Notes and gain from the sale, redemption or other disposition of the Notes unless: (i) that payment and/or gain is effectively connected with the conduct by that non-United States Holder of a trade or business in the U.S.; (ii) in the case of any gain realized on the sale or exchange of a Note by an individual non-United States Holder, that holder is present in the U.S. for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met; or (iii) the non-United States Holder is subject to tax pursuant to provisions of the Code applicable to certain expatriates.

Foreign Account Tax Compliance Act

Pursuant to certain provisions of the Code, commonly known as FATCA, a "foreign financial institution" (as defined under FATCA) may be required to withhold on certain payments it makes (such payments being "foreign passthru payments") to persons that fail to meet certain certification, reporting or related requirements. A number of jurisdictions (including Australia and New Zealand) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (such agreements being "IGAs"), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Notes, including whether withholding would ever be

required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Notes, such withholding would not apply prior to the date that is two years after the date on which final regulations defining foreign passthru payments are published in the U.S. Federal Register and Notes issued on or prior to the date that is six months after the date on which final regulations defining foreign passthru payments are filed with the U.S. Federal Register generally would be grandfathered for purposes of FATCA withholding unless materially modified after such date. Holders should consult their own tax advisors regarding how these rules may apply to their investment in the Notes. In the event any withholding would be required pursuant to FATCA or an IGA with respect to payments on the Notes, no Issuer or Guarantor will be required to pay additional amounts as a result of the withholding.

Backup Withholding and Information Reporting

Information returns may be filed with the IRS in connection with payments on the Notes and the proceeds from a sale or other disposition of the Notes. A United States Holder may be subject to U.S. backup withholding on these payments if it fails to provide its tax identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a United States Holder will be allowed as a credit against the holder's U.S. federal income tax liability and may entitle the United States Holder to a refund, provided that the required information is timely furnished to the IRS. Non-United States Holders may be required to comply with applicable certification procedures to establish that they are not United States Holders in order to avoid the application of such information reporting requirements and backup withholding.

Certain individuals and other United States Holders are required to report information with respect to an investment in Notes not held through an account with a United States "financial institution" to the IRS. If a United States Holder fails to report the information required, the United States Holder could become subject to substantial penalties. United States Holders are urged to consult their tax advisors regarding the reporting requirements that may be imposed on them with respect to their ownership of the Notes.

Certain Australian Withholding Tax and Income Tax Consequences

General

The following is a general summary of the material Australian income tax consequences arising under the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997 (the "Tax Act"), and any relevant regulations, rulings or judicial or administrative interpretations as of the date of this offering memorandum in relation to an investment in the Notes by a holder of the Notes who:

- is not a resident of Australia for Australian tax law purposes and does not carry on business in Australia through or have a permanent establishment or fixed base in Australia (a "Non-Resident Investor");
- is not an associate of any Issuer within the meaning of Section 128FA(8) of the Tax Act;
- holds the Notes on its own behalf (i.e., the holder is not, for example, a dealer in securities or a custodian); and
- purchased the Notes for cash at the original issue price pursuant to this offer.

This general summary is not intended to be nor should it be construed to be legal or tax advice to any particular holder. Prospective holders are urged to contact their tax advisors for specific advice relating to their particular circumstances.

Payments of Interest Under the Notes by the Issuers

Australian Interest Withholding Tax. Payments of interest or amounts in the nature of interest (such as discounts) on the Notes by an Australian resident Issuer to a Non-Resident Investor will be subject to a 10%

interest withholding tax unless either the exemption provided by Section 128FA of the Tax Act, other specific exemptions only available to entities of a particular type, or a tax treaty applies. If Section 128FA of the Tax Act does apply, there will be no Australian interest withholding tax on payments of interest or amounts in the nature of interest.

The Issuers intend to issue the Notes in a manner which will satisfy the public offer test and which otherwise will meet the requirements of Section 128FA of the Tax Act. If that is done, then based on the current legislation and administration policy of the Australian Taxation Office, the exemption will be available.

If it is ultimately determined that a Non-Resident Investor is subject to interest withholding tax or deduction on any payment to be made by an Australian Issuer, the Non-Resident Investor may be entitled to additional amounts in certain circumstances.

Double Tax Treaties. Even if exemption from the 10% Australian interest withholding tax provided by Section 128FA of the Tax Act does not apply, a Non-Resident Investor may be eligible for relief from such tax under a tax treaty between Australia and the Non-Resident Investor's country of residence.

Under tax treaties with certain countries (including the United States and the United Kingdom) ("Specified Countries") interest withholding tax generally does not apply to interest derived by:

- governments of the Specified Countries and certain governmental authorities and agencies in a Specified Country; and
- certain unrelated financial institutions resident in a Specified Country which substantially derive their profits by carrying on a business of raising and providing finance.

Nevertheless, back-to-back loans and economically equivalent arrangements would continue to be subject to the 10% interest withholding tax rate and the anti-avoidance provisions in the Tax Act may apply.

Profits or Gains on Disposal or Redemption of the Notes

Any profit or gain made on a disposal or a redemption of the Notes by a Non-Resident Investor will not be subject to Australian income tax provided that such profit or gain does not have an Australian source (as described under "—Australian Source" below).

To the extent that the amounts received on disposal or redemption of the Notes include amounts of interest or amounts in the nature of interest, Australian interest withholding tax may apply in certain circumstances. However, section 128FA may apply to exempt such amounts from Australian interest withholding tax (see "—Australian Interest Withholding Tax" above).

Australian Source. Whether a profit or gain on disposal of the Notes has an Australian source is a question of fact that will be determined on the basis of the circumstances existing at the time of the disposal. Whether or not any such profit or gain will have an Australian source will depend on a variety of factors, including whether the Notes are disposed to another non-resident, where negotiations are conducted and where the relevant documentation is executed.

Double Tax Treaties. If the profit or gain on disposal or redemption of a Note is deemed to have an Australian source, a Non-Resident Investor may be eligible for relief from Australian tax on such profit or gain, under a double tax treaty between Australia and the Non-Resident Investor's country of residence. For example, under the double tax treaty between Australia and the United States, a Non-Resident Investor that qualifies for the benefits available under the treaty to a United States resident (as defined in that treaty) may be eligible for relief from Australian tax on its profit or gain on the disposal or redemption of a Note. Prospective purchasers should consult their tax advisors regarding their entitlement to benefits under a tax treaty.

Payments Under Guarantees by Australian Guarantors

The guarantors may be required to make payments under the guarantees in the event of default by the relevant Issuer. Such payments by guarantors resident in Australia ("Australian Guarantors") may be subject to Australian interest withholding tax depending on whether or not the amounts are characterized as interest or in the nature of interest. If an amount is not characterized as interest or in the nature of interest, the Australian Guarantors would not have an obligation to deduct interest withholding tax.

The Australian income tax law does not specifically address whether or not any payment by the Australian Guarantors under the Guarantees of amounts in respect of interest on the Notes would be subject to Australian interest withholding tax. However, the Australian Taxation Office has issued a taxation determination which concludes that a payment made by a guarantor in respect of interest on a debenture (such as the Notes) will be regarded as being in the nature of interest, and that the exemption in Section 128F (or 128FA) of the Tax Act (discussed under "—Australian Interest Withholding Tax" above) could apply to such a payment. This determination is binding on the Australian Taxation Office unless and until it is withdrawn.

If it is ultimately determined that Australian interest withholding tax or deduction applies on any payment to be made by an Australian Guarantor, a Non-Resident Investor may be entitled under the indenture to additional amounts in certain circumstances.

Garnishee directions

The Australian Commissioner of Taxation may give a direction under section 255 of the Tax Act or section 260-5 of Schedule 1 to the Taxation Administration Act 1953 or any similar provision requiring an Issuer or Guarantor to deduct or withhold from any payment to any other party (including any Noteholder) any amount in respect of tax payable by that other party. If the Issuers or Guarantors are served with such a direction, the Issuers or Guarantors intend to comply with that direction and make any deduction or withholding required by that direction. In such a circumstance, the relevant Noteholder will not be entitled to additional amounts in respect of that deduction or withholding.

Taxation of Financial Arrangements

Division 230 of the Tax Act (the "TOFA regime") contains tax-timing rules for certain taxpayers to bring to account gains and losses from "financial arrangements." Where it applies, the TOFA regime may impact upon the tax character and tax timing of gains and losses arising from those financial arrangements.

The rules do not apply to certain taxpayers in specified circumstances. They should not, for example, generally apply to holders of Notes who are individuals and certain other entities (for example, certain superannuation entities and managed investment schemes) which do not meet various turnover or asset thresholds, unless they make an election that the rules apply to their "financial arrangements." Potential holders of Notes should seek their own tax advice regarding their own personal circumstances as to whether such an election should be made.

The rules in Division 230 do not alter the rules relating to the imposition of Australian interest withholding tax. In particular, the rules do not override the interest withholding tax exemption available under section 128FA of the Tax Act.

Certain New Zealand Withholding Tax and Income Tax Consequences

General

The following is a general summary of the material New Zealand withholding tax and income tax consequences arising under the Income Tax Act 2007 (New Zealand) (the "NZ ITA"), and any relevant

regulations, rulings or judicial or administrative interpretations as of the date of this offering memorandum, in relation to an investment in the Notes where a payment is in the nature of interest for New Zealand tax purposes (which may include a payment in respect of interest under the guarantees) (an "interest payment") and is made by a guarantor that is a resident of New Zealand for New Zealand income tax purposes or is engaged in business in New Zealand through a fixed establishment (as defined in the NZ ITA) or a permanent establishment (as defined in an applicable tax treaty) in New Zealand (a "NZ Guarantor").

This general summary is not intended to be nor should it be construed to be legal or tax advice to any particular holder. Prospective holders are urged to contact their tax advisors for specific advice relating to their particular circumstances.

Payments Under the Guarantees by a NZ Guarantor

Resident Withholding Tax. A NZ Guarantor that is a resident of New Zealand for New Zealand income tax purposes is, and a NZ Guarantor that is not a resident of New Zealand for New Zealand income tax purposes may be, required by law to deduct New Zealand resident withholding tax ("RWT") from any interest payment if:

- the person deriving the interest:

  (i) is a resident of New Zealand for income tax purposes; or

  (ii) is a non-resident that holds the Note for the purposes of a business carried on in New Zealand through a fixed establishment (as defined in the NZ ITA) in New Zealand; or

  (iii) is a non-resident that is a registered bank (as defined in the NZ ITA) and is engaged in business in New Zealand through a fixed establishment (as defined in the NZ ITA) in New Zealand, and is not associated with the Issuer,

  (each, a "NZ Noteholder"); and

- at the time of such payment the NZ Noteholder does not hold a valid certificate of exemption from RWT (or, on or after 1 April 2020, does not have RWT-exempt status (as defined in the Taxation (Annual Rates for 2017-18, Employment and Investment Income, and Remedial Matters) Act 2018)) (each, a "non-Exempt NZ Noteholder").

If RWT is deducted from any interest payment, the NZ Noteholder will not be entitled to additional amounts of any nature in respect of that deduction.

Each purchaser of the Notes offered hereby is deemed to have represented and agreed that it is not a non-Exempt NZ Noteholder and that it will not transfer the Notes to any person who would be a non-Exempt NZ Noteholder if such person held a Note. See "Notice to Investors."

Non-Resident Withholding Tax. New Zealand law may require a NZ Guarantor to deduct New Zealand non-resident withholding tax ("NRWT") from the payment of interest to any holder of a Note who is not a NZ Noteholder (a "Non-NZ Noteholder"). Whether a NZ Guarantor will be required to deduct NRWT will depend, in part, on the terms of any relevant tax treaty between New Zealand and the Non-NZ Noteholder's country of residence. To the extent that New Zealand law requires a deduction on account of NRWT to be made from the payment of interest to any Non-NZ Noteholder, a NZ Guarantor may, and intends (for so long as it does not incur any increased cost or detriment from so doing and is legally able to do so) to reduce the applicable rate of NRWT to zero per cent (in the case of Notes: (i) held by Non-NZ Noteholders who are not associated with the NZ Guarantor for the purposes of the NZ ITA and who do not hold the Note jointly with a resident of New Zealand for income tax purposes; and (ii) which are not related-party debt (as defined in the NZ ITA)), by registering the Notes with the New Zealand Inland Revenue and paying, on its own account, a levy equal to 2 per cent of the relevant interest payment.

If it is determined that an interest payment made by a NZ Guarantor to a Non-NZ Noteholder is subject to NRWT, the Non-NZ Noteholder may be entitled to additional amounts in certain circumstances. It is not possible to pay the levy instead of deducting NRWT if the relevant Non-NZ Noteholder is associated with such NZ Guarantor for the purposes of the NZ ITA or the Non-NZ Noteholder holds the Note jointly with a resident of New Zealand for income tax purposes or the payment of interest otherwise relates to related-party debt (as defined in the NZ ITA). In those circumstances, NRWT would be deducted from the payment of interest at the applicable rate (which may be reduced by a relevant tax treaty between New Zealand and the Non-NZ Noteholder's country of residence), and the Non-NZ Noteholder would not be entitled to additional amounts in respect of that deduction.

Payments of Interest Under the Notes

New Zealand Interest Withholding Tax. Interest payments on the Notes by the Issuers will not be subject to New Zealand withholding tax.

Profits or Gains on Disposal of the Notes

Financial Arrangements. For a holder of the Notes that is a resident of New Zealand for New Zealand income tax purposes or that is not a New Zealand tax resident but holds the Notes for the purpose of a business carried on by the holder through a fixed establishment in New Zealand, the Notes will be subject to the "financial arrangements rules" under the NZ ITA. These rules bring to tax on an accrual basis interest and other amounts (such as gains on disposal) deemed by the rules to be equivalent to interest.

PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in the purchase agreement dated the date of this offering memorandum, each initial purchaser named below has severally agreed to purchase, and the Issuers have agreed to sell to that initial purchaser, the principal amount of the Notes set forth opposite the initial purchaser's name:

Initial Purchaser	Principal Amount of Notes
BNP Paribas(1)	US$
Citigroup Global Markets Inc.	US$
J.P. Morgan Securities LLC	US$
SMBC Nikko Securities America, Inc.	US$
BofA Securities, Inc.	US$
Morgan Stanley & Co. LLC	US$
MUFG Securities Americas Inc.	US$
Scotia Capital (USA) Inc.	US$
ANZ Securities, Inc.	US$
Commonwealth Bank of Australia(2)	US$
Bank of China Limited, Singapore Branch(2)	US$
Total	US$

(1) BNP Paribas is not a registered broker-dealer in the United States. Accordingly, it will only effect sales of Notes outside of the United States in accordance with Regulation S or in the United States, or to nationals or residents of the United States, through a registered broker-dealer.

(2) Commonwealth Bank of Australia and Bank of China Limited, Singapore Branch are not registered broker-dealers in the United States. Accordingly, they will only effect sales of Notes outside of the United States in accordance with Regulation S.

The purchase agreement provides that the obligations of the initial purchasers to purchase the Notes are subject to approval of legal matters by counsel and other conditions. The initial purchasers must purchase all the Notes, if they purchase any of the Notes.

We have been advised that the initial purchasers propose to resell the Notes at their respective offering prices set forth on the cover page of this offering memorandum within the United States to qualified institutional buyers (as defined in Rule 144A) in reliance on Rule 144A and outside the United States in reliance on Regulation S. See "Notice to Investors." The price at which the Notes are offered may be changed at any time without notice.

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and may not be offered or sold within the United States or to, or for the account or benefit of, U.S. persons (as defined in Regulation S) except in transactions exempt from, or not subject to, the registration requirements of the Securities Act. See "Notice to Investors."

Accordingly, in connection with sales outside the United States, each initial purchaser has agreed that, except as permitted by the purchase agreement and as set forth in "Notice to Investors," it will not offer or sell the Notes within the United States or to, or for the account or benefit of, U.S. persons (i) as part of its distribution at any time or (ii) otherwise until 40 days after the later of the commencement of this offering and the closing date, and it will have sent to each dealer to which it sells Notes during the 40-day distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, U.S. persons.

In addition, until 40 days after the commencement of this offering, an offer or sale of the Notes within the United States by a dealer that is not participating in this offering may violate the registration requirements of the Securities Act if that offer or sale is made otherwise than in accordance with Rule 144A.

Selling Restrictions

European Economic Area

Each initial purchaser has represented, warranted and agreed that:

- it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this offering memorandum to any retail investor in the EEA or the United Kingdom. For purposes of this provision: (a) the expression "retail investor" means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in the Prospectus Regulation; and (b) the expression "offer" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to or purchase or subscribe the Notes; and
- it will not offer, sell, underwrite the issue of, or act in Ireland in respect of the Notes, other than in conformity with: (a) the provisions of the European Union (Markets in Financial Instruments) Regulations 2017 (as amended, the "MiFID Regulations"), including, without limitation, Regulation 5 (Requirement for authorisation (and certain provisions regarding MTFs and OTFs)), any codes of conduct made under the MiFID Regulations, and the provisions of the Investor Compensation Act 1998 (as amended); (b) the provisions of the Companies Act 2014 (as amended, the "Companies Act"), the Central Bank Acts 1942-2018 (as amended) and any codes of practice made under Section 117(1) of the Central Bank Act 1989 (as amended) or any regulations made pursuant to Part 8 of the Central Bank (Supervision and Enforcement) Act 2013 (as amended); (c) the provisions of the Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended) and any rules issued by the Central Bank of Ireland (the "Central Bank") under Section 1363 of the Companies Act; and (d) the provisions of the Market Abuse Regulation (EU 596/2014) (as amended) and any rules and guidance issued by the Central Bank under Section 1370 of the Companies Act.

United Kingdom

Each initial purchaser has represented, warranted and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Notes included in this offering in circumstances in which section 21(1) of the FSMA does not apply to the Issuers or the guarantors; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes included in this offering in, from or otherwise involving the United Kingdom.

New Zealand

Each initial purchaser has represented, warranted and agreed that it has not and will not offer, directly or indirectly, the Notes for sale or transfer, and it has not distributed and will not distribute, publish, deliver or disseminate, any offering memorandum or any other information or other material that may constitute an "advertisement" (as defined in the FMCA), in relation to the Notes, in each case in New Zealand, other than to

"wholesale investors" as that term is defined in clauses 3(2)(a), (c) and (d) of Schedule 1 to the FMCA, being a person who is an "investment business," "large" or a "government agency," in each case as defined in Schedule 1 to the FMCA. For the avoidance of doubt, the Notes may not be offered or transferred to, among others, any "eligible investors" (as defined in clause 41 of Schedule 1 to the FMCA) or to any person who, under clause 3(2)(b) of Schedule 1 to the FMCA, meets the investment activity criteria specified in clause 38 of that Schedule.

Japan

Each initial purchaser has represented, warranted and agreed that it has not registered and will not register any Notes under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the "Financial Instruments and Exchange Law") and accordingly, it has not offered or sold and will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the account or benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to, or for the account or benefit of, others for reoffering or resale, directly or indirectly, in Japan or to, or for the account or benefit of, a resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act of Japan and any other applicable laws, regulations and ministerial guidelines of Japan.

Hong Kong

Each initial purchaser has represented, warranted and agreed that it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571 of the laws of Hong Kong) ("SFO") and any rules made thereunder, or (b) in circumstances which do not result in such document being a "prospectus" as defined in the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32 of the laws of Hong Kong) (the "C(WUMP)O") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and unless permitted to do so under the laws of Hong Kong, it has not issued, or had in its possession for the purpose of issue, and will not issue, or have in its possession for the purposes of issue (in each case whether in Hong Kong or elsewhere), any advertisement, invitation or document relating to the Notes which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined within the meaning of the SFO and any rules made thereunder.

Singapore

Each initial purchaser has represented, warranted and agreed that this offering memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the SFA. Accordingly, this offering memorandum and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA and (where applicable) Regulation 3 of the Securities and Futures (Classes of Investors) Regulations 2018, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Notes are subscribed for or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

Any reference to the SFA is a reference to the Securities and Futures Act, Chapter 289 of Singapore, and a reference to any term as defined in the SFA or any provision in the SFA is a reference to that term as modified or amended from time to time including by such of its subsidiary legislation as may be applicable at the relevant time.

Notification under Section 309B(1)(c) of the SFA – In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuers have determined and hereby notify all relevant persons (as defined in Section 309A(1) of the SFA) that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Switzerland

None of the Issuers or any Notes has been licensed for distribution by FINMA as a foreign collective investment scheme pursuant to Article 120 of CISA. Also, the Issuers have not appointed a Swiss paying agent and representative. Accordingly, investors in the Notes do not benefit from the specific investor protection provided by CISA and the supervision by the FINMA. Each initial purchaser has acknowledged and agreed to the foregoing.

Each initial purchaser has accordingly represented and agreed that (i) in or from within Switzerland, the Notes will be offered and sold by it exclusively to institutional clients pursuant to Article 4 para. 4 of the FinSA; and (ii) neither this offering memorandum, any pricing term sheet, nor any other information supplied in connection with the offering will be taken or transmitted into, or distributed, directly or indirectly in or from within Switzerland by it, save that any such documents or information may be handed out or made available in Switzerland exclusively to institutional clients pursuant to Article 4 para. 4 of the FinSA.

Taiwan

Each initial purchaser has represented and agreed that the Notes may be made available outside Taiwan for purchase outside Taiwan by investors resident or domiciled in Taiwan but are not permitted to be offered or sold in Taiwan. Each initial purchaser has represented and agreed that no person or entity in Taiwan has been authorized to offer or sell the Notes in Taiwan.

France

Each initial purchaser has represented and agreed that it has not offered or sold and will not offer or sell, directly or indirectly, any Notes to the public in France and it has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this offering memorandum, any pricing term sheet or any other offering material relating to the Notes and such offers, sales and distributions have been and will be made in France only to (a) persons providing portfolio investment and management services for the account of third parties (*personnes fournissant le service d'investissement de gestion de portefeuille pour compte de tiers*), and/or (b) qualified investors (*investisseurs qualifiés*) acting for their own account, all as defined in, and in accordance with, Articles L.411-2 II and D.411-1 of the French *Code monétaire et financier*.

Offer and Marketing of Notes within the European Union and the United Kingdom

Each initial purchaser has represented and agreed that it will not engage in the offer or marketing of the Notes in any jurisdiction in which Directive 2011/61/EU (the "AIFM Directive") has been implemented, save that they may, notwithstanding the foregoing but without prejudice to any other matter contained in this section "Plan of Distribution," engage in the offer or marketing of the Notes in Germany, France, the Netherlands, the United Kingdom, Norway, Denmark, Finland, Italy, Spain, Belgium, Austria, Luxembourg, Portugal, Ireland and such further jurisdictions as agreed in writing between the relevant Issuer and the relevant initial purchaser prior to any such marketing or offer taking place (each such jurisdiction in which such marketing or offer is permitted pursuant to this paragraph being a "Relevant AIFMD Jurisdiction").

For the avoidance of doubt, and notwithstanding the foregoing or the generality of the matters set out in this section "Plan of Distribution," no initial purchaser has made any representation, warranty, undertaking or agreement that it has complied with the provisions of the AIFM Directive, as such directive is implemented into, and interpreted in accordance with, the laws of each Relevant AIFMD Jurisdiction.

Canada

Prospective Canadian investors are advised that the information contained within this offering memorandum has not been prepared with regard to matters that may be of particular concern to Canadian investors. Accordingly, prospective Canadian investors should consult with their own legal, financial and tax advisers concerning the information contained within the offering memorandum and as to the suitability of an investment in the Notes in their particular circumstances.

The Notes may only be offered or sold, directly or indirectly, in the provinces of Alberta, British Columbia, Ontario and Quebec (the "Private Placement Provinces") or to residents thereof and not in, or to the residents of, any other province or territory of Canada. Such offers or sales will be made pursuant to an exemption from the requirement to file a prospectus with the regulatory authorities in the Private Placement Provinces and will be made only by a dealer duly registered under the applicable securities laws of such provinces, as the case may be, or in accordance with an exemption from the applicable registered dealer requirements.

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions ("NI-45-106") or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this offering circular (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit

prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of National Instrument 33-105 Underwriting Conflicts ("NI 33-105"), the initial purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with the offer and sale of Notes.

We hereby notify prospective Canadian purchasers that: (a) we may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number and the aggregate purchase price of any Notes purchased) ("personal information"), which Form 45-106F1 may be required to be filed by us under NI 45-106, (b) such personal information may be delivered to the Ontario Securities Commission (the "OSC") in accordance with NI 45-106, (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC's indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-3684. Prospective Canadian purchasers that purchase Notes in the offering will be deemed to have authorized the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Upon receipt of this offering memorandum, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu'il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d'achat ou tout avis) soient rédigés en anglais seulement.

General

The Notes will constitute a new class of securities with no established trading market. We do not intend to list the Notes on any national securities exchange in the United States. We cannot assure you that the prices at which the Notes will sell in the market after this offering will not be lower than the initial offering price or that an active trading market for the Notes will develop and continue after this offering. The initial purchasers have advised us that they currently intend to make a market in the Notes. However, they are not obligated to do so and they may discontinue any market-making activities with respect to the Notes at any time without notice. In addition, market-making activity will be subject to the limits imposed by the Securities Act and the Exchange Act. Accordingly, we cannot assure you as to the liquidity of or the trading market for the Notes.

Furthermore, each initial purchaser has acknowledged that no prospectus or other disclosure document in relation to the Notes has been lodged with, or registered by, ASIC or the ASX Limited, and has also agreed that:

- it has not directly or indirectly made or invited, and will not make or invite, an offer for the issue, sale or purchase of the Notes in Australia (including an offer or invitation which is received by a person in Australia); and
- it has not distributed or published, and will not distribute or publish this offering memorandum or any other offering material or advertisement relating to the Notes in Australia,

unless:

- the minimum aggregate consideration payable by each offeree at the time of issue is at least A$500,000 (disregarding moneys lent by the offeror or its associates) or the offer or invitation otherwise does not need disclosure to investors under Part 6D.2 or Chapter 7 of the Corporations Act 2001 of Australia; and
- such action complies with all applicable laws and regulations of the Commonwealth of Australia.

In addition, each initial purchaser has agreed that it will not in connection with the primary distribution of the Notes (directly or indirectly) sell any of the Notes (or any interest in any of the Notes) to any person known or reasonably suspected by employees of such initial purchaser directly involved in the sale to be an Offshore Associate (other than in the capacity of dealer, manager or underwriter in relation to the placement of the Notes or in the capacity of a clearing house, custodian, funds manager or responsible entity of an Australian registered managed investment scheme). "Offshore Associate" means an associate (as defined in section 128FA(8) of the Australian Income Tax Assessment Act 1936 (Cth)) of the Issuers that is either (a) a resident of Australia or (b) a non-resident of Australia that does not acquire the Notes in carrying on business at or through a permanent establishment in Australia.

In connection with this offering, the initial purchasers may purchase and sell Notes in the open market. These transactions may include over-allotment, syndicate covering transactions and stabilizing transactions. Over-allotment involves sales of the Notes in excess of the principal amount of the Notes to be purchased by the initial purchasers in this offering, which creates a short position for the initial purchasers. Covering transactions involve purchases of the Notes in the open market after the distribution has been completed in order to cover short positions. Stabilizing transactions consist of certain bids or purchases of the Notes made for the purpose of preventing or retarding a decline in the market price of the Notes while the offering is in progress. Any of these activities may have the effect of preventing or retarding a decline in the market price of the Notes. They may also cause the price of the Notes to be higher than the price that otherwise would exist in the open market in the absence of these transactions. The initial purchasers may conduct these transactions in the over-the-counter market or otherwise. If the initial purchasers commence any of these transactions, they may discontinue them at any time.

The initial purchasers or their affiliates have performed investment banking and advisory services for us from time to time for which they have received customary fees and expenses. The initial purchasers and their affiliates may, from time to time, engage in transactions with and perform services for us in the ordinary course of their business. Affiliates of certain of the initial purchasers are lenders under certain of our unsecured bilateral bank loan facilities and, accordingly, may receive a portion of the net proceeds from this offering.

The initial purchasers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities.

In the ordinary course of their various business activities, the initial purchasers and their respective affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve our securities and instruments. Certain of the initial purchasers or their affiliates that have a lending relationship with us routinely hedge their credit exposure to us consistent with their customary risk management policies. A typical hedging strategy would include these initial purchasers or their affiliates hedging such exposure by entering into transactions that consist of either the purchase of credit default swaps or the creation of short positions in our securities, including potentially the Notes offered hereby. Any such credit default swaps or short positions could adversely affect future trading prices of the Notes. The initial purchasers and their respective affiliates may also make investment recommendations or publish or express independent research views in respect of such securities or instruments

and may at any time hold, or recommend to clients that they acquire, long or short positions in such securities and instruments.

We have agreed to indemnify the initial purchasers against certain liabilities, including liabilities under the Securities Act, or to contribute to payments that the initial purchasers may be required to make because of any of those liabilities.

NOTICE TO INVESTORS

Because of the following restrictions, investors are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of the Notes.

The Notes have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S), except pursuant to an effective registration statement or in accordance with an available exemption from the registration requirements of the Securities Act. Accordingly, the Notes are being offered and sold in the United States only to qualified institutional buyers in accordance with Rule 144A under the Securities Act and outside the United States in accordance with Regulation S under the Securities Act.

Each purchaser of the Notes offered hereby will be deemed, in making its purchase, to have represented and agreed as follows:

1. The purchaser and any account on behalf of which it is purchasing Notes either (a)(1) is a qualified institutional buyer, (2) is aware that the sale of the Notes to it is being made in reliance on Rule 144A and (3) is acquiring such Notes for its own account or the account of a qualified institutional buyer or (b)(1) is not in the United States or a U.S. person, or acting for the account or benefit of a U.S. person, as that term is defined in Regulation S, and (2) is aware that the sale of the Notes to it is being made in reliance on Regulation S.

2. The purchaser understands that the Notes have not been registered under the Securities Act and may not be offered, sold or delivered in the United States or to, or for the account or benefit of, any U.S. person except as set forth below.

3. If the purchaser is a U.S. person, it agrees that it will not resell or otherwise transfer the Notes except (a)(1) to the Issuers, (2) to a person whom such purchaser reasonably believes is a qualified institutional buyer acquiring for its own account or the account of a qualified institutional buyer in a transaction meeting the requirements of Rule 144A, (3) outside of the United States in an offshore transaction meeting the requirements of Rule 903 or Rule 904 of Regulation S, (4) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available) or (5) pursuant to an effective registration statement under the Securities Act and (b) in accordance with all applicable securities laws of the states of the United States and other jurisdictions, and that the purchaser, and each subsequent holder, will notify any subsequent purchaser of such Notes from it of these resale restrictions. The Notes issued to purchasers that are U.S. persons (including Restricted Global Notes) will bear a legend to the following effect, unless we determine otherwise in compliance with applicable law:

"NEITHER THIS GLOBAL NOTE NOR ANY BENEFICIAL INTEREST HEREIN HAS BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) TO THE ISSUERS, (2) TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A UNDER THE SECURITIES ACT PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER OR BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A, (3) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION COMPLYING WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (4) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE) OR (5) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND, IN EACH CASE, IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THE STATES OF THE UNITED STATES AND OTHER JURISDICTIONS.

THE HOLDER HEREOF, BY PURCHASING THIS SECURITY, REPRESENTS AND AGREES FOR THE BENEFIT OF THE ISSUERS THAT IT IS (1) A QUALIFIED INSTITUTIONAL BUYER OR (2) NOT A

U.S. PERSON AND IS OUTSIDE THE UNITED STATES WITHIN THE MEANING OF (OR AN ACCOUNT SATISFYING THE REQUIREMENTS OF PARAGRAPH (K)(2) OF RULE 902 UNDER) REGULATION S UNDER THE SECURITIES ACT. IN ANY CASE THE HOLDER HEREOF WILL NOT, DIRECTLY OR INDIRECTLY, ENGAGE IN ANY HEDGING TRANSACTION WITH REGARD TO THIS SECURITY EXCEPT AS PERMITTED BY THE SECURITIES ACT."

4. If the purchaser is a qualified institutional buyer, it understands that the Notes offered in reliance on Rule 144A initially will be represented by the Restricted Global Note and that, before interests therein may be transferred to any person who takes delivery in the form of the Regulation S Global Note, the transferor will be required to provide the trustee with a written certification (the form of which can be obtained from the trustee) to the effect that the transfer complies with Rule 903 or Rule 904 of Regulation S, as described in "Description of the Notes and Guarantees—Form, Denomination, Transfer and Book-Entry Procedures."

5. If the purchaser is not a U.S. person, it understands that the Notes offered in reliance on Regulation S initially will be represented by the Regulation S Global Note and that interests therein may be held only through Euroclear or Clearstream through and including the 40th day after the later of the commencement of the offering of the Notes and the closing date of the offering of the Notes, as described in "Description of the Notes and Guarantees—Form, Denomination, Transfer and Book-Entry Procedures." The purchaser further understands that the Regulation S Global Notes will bear a legend to the following effect, unless we determine otherwise in accordance with applicable law:

"THIS NOTE HAS NOT BEEN REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933 (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD OR DELIVERED IN THE UNITED STATES OR TO, OR FOR THE ACCOUNT OR BENEFIT OF, ANY U.S. PERSON, UNLESS SUCH NOTES ARE REGISTERED UNDER THE SECURITIES ACT OR AN EXEMPTION FROM THE REGISTRATION REQUIREMENTS THEREOF IS AVAILABLE. THE FOREGOING SHALL NOT APPLY FOLLOWING THE EXPIRATION OF FORTY DAYS FROM THE LATER OF (I) THE DATE ON WHICH THESE NOTES WERE FIRST OFFERED AND (II) THE DATE OF ISSUANCE OF THESE NOTES."

6. The purchaser represents that it is not a non-Exempt NZ Noteholder and that it will not transfer the Notes to any person who would be a non-Exempt NZ Noteholder if such person held a Note.

7. The purchaser agrees that it will deliver to each person to whom it transfers Notes notice of any restrictions on transfer of such Notes.

8. The purchaser acknowledges that the Issuers, the initial purchasers and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations, warranties and agreements, and agrees that if any of the acknowledgments, representations or warranties deemed to have been made by it by its purchase of the Notes are no longer accurate, it shall promptly notify us and the initial purchasers. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and it has full power to make the foregoing representations, warranties and agreements on behalf of each such account.

For further discussion of the requirements (including the presentation of transfer certificates) under the indenture to effect exchanges or transfers of interests in Global Notes, see "Description of the Notes and Guarantees—Form, Denomination, Transfer and Book-Entry Procedures—Exchanges between Global Notes."

LEGAL MATTERS

The validity of the issuance of the Notes and the guarantees will be passed upon for Scentre Group by Allen & Overy, Sydney, Australia, special United States counsel for Scentre Group; by K&L Gates, Australian legal counsel for Scentre Group as to certain matters of Australian law and by Russell McVeagh, New Zealand legal counsel for Scentre Group as to certain matters of New Zealand law. Certain legal matters of New York law in connection with this offering will be passed upon for the initial purchasers by Sidley Austin, Sydney, Australia.

INDEPENDENT AUDITORS

The Scentre Group financial statements included elsewhere in this offering memorandum, have been audited by Ernst & Young (ABN 75 288 172 749), independent auditors, as stated in their reports appearing herein. The Ernst & Young signing partner is a member of the Institute of Chartered Accountants in Australia.

Ernst & Young's registered address is 200 George Street, Sydney, NSW 2000.

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Note: The numbers that appear on the bottom of the following "F-" pages refer to the page numbers in the relevant Scentre Group financial statements.

FFO and distribution for the period [i] [ii]

	FY19 $million	FY18 $million
Net operating income [iii]	**1,925.5**	1,900.8
Management income [iv]	**48.7**	46.1
Income	**1,974.2**	1,946.9
Overheads	**(88.1)**	(85.9)
EBIT	**1,886.1**	1,861.0
Net interest [v]	**(510.0)**	(499.4)
Earnings before tax	**1,376.1**	1,361.6
Tax	**(44.2)**	(35.0)
Minority interest [vi]	**(44.5)**	(46.8)
Operating Earnings	**1,287.4**	1,279.8
Project income [vii]	**80.9**	85.3
Tax on project income	**(23.7)**	(25.6)
Project income after tax	**57.2**	59.7
FFO	**1,344.6**	1,339.5
Retained earnings	**(154.2)**	(164.1)
Distribution	**1,190.4**	1,175.4

[i] The Group's income and expenses have been prepared on a proportionate basis. The proportionate basis presents the net income from equity accounted entities on a gross basis.

[ii] The Group's measure of FFO is based upon the National Association of Real Estate Investment Trusts' (NAREIT, a US industry body) definition, adjusted to reflect the Group's profit after tax and non controlling interests reported in accordance with the Australian Accounting Standards and International Financial Reporting Standards.

In calculating the Group's FFO, adjustments to profit after tax are presented below.

	Note in Financial Statements	**FY19 $million**	FY18 $million
Profit after tax attributable to members of Scentre Group		**1,179.5**	2,287.2
Adjusted for:			
– Property revaluations	2(v)	**151.9**	(1,147.7)
– Amortisation of tenant allowances	2(iii)	**77.1**	67.8
– Net fair value loss/(gain) and associated credit risk on currency derivatives that do not qualify for hedge accounting	11	**(15.4)**	30.4
– Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	11	**–**	(0.7)
– Net fair value loss on interest rate hedges that do not qualify for hedge accounting	12	**84.3**	133.6
– Net modification gain on refinanced borrowing facilities	12	**(2.8)**	(9.9)
– Net fair value loss/(gain) on other financial liabilities	12	**(7.9)**	23.2
– Gain in respect of capital transactions	2(v)	**(120.6)**	(40.1)
– Deferred tax expense/(benefit)	2(v)	**0.4**	(1.8)
– FFO adjustments attributable to external non controlling interests		**(1.9)**	(2.5)
FFO		**1,344.6**	1,339.5

[iii] Net property income of $1,848.4 million (Note 2(iii)) plus amortisation of tenant allowances of $77.1 million (Note 2(iii)).

[iv] Property management income of $58.7 million (Note 2(v)) less property management costs of $10.0 million (Note 2(v)).

[v] Financing costs of $622.9 million (Note 2(v)) less interest income of $4.8 million (Note 2(v)), interest expense on other financial liabilities of $34.5 million (Note 12), net fair value gain on other financial liabilities of $7.9 million (Note 12), net fair value loss on interest rate hedges that do not qualify for hedge accounting of $84.3 million (Note 12) and net modification gain on refinanced borrowing facilities of $2.8 million (Note 12).

[vi] Profit after tax attributable to external non controlling interest of $8.1 million (Note 2(v)) plus non-FFO adjustments of $1.9 million and interest expense on other financial liabilities of $34.5 million (Note 12).

[vii] Property development and construction revenue of $396.8 million (Note 2(v)) less property development and construction costs of $315.9 million (Note 2(v)).

Capital management activity

We continue to maintain a strong focus on capital management, including proactively managing our debt portfolio.

During the year we:

- Divested the Sydney Office Towers for $1.52 billion. The office development and investment has delivered an unlevered internal rate of return of more than 16% per annum
- Joint ventured a 50% share in Westfield Burwood for $575 million, including property and management rights
- Acquired a 50% interest in Westfield Booragoon for $570 million
- Issued €500 million ($800 million) of long term bonds
- Assigned 'A Stable' credit rating by Fitch
- Commenced a security buy-back program of up to $800 million. $304 million of securities purchased in 2019

Debt metrics	**31 Dec 2019**
Net Debt[(i)]	$12.9 billion
FFO to Debt	10.3%
Interest Cover	3.6x
Interest rate exposure hedged percentage	85%
Weighted average interest rate	4.2%
Weighted average debt maturity	4.2 years
Liquidity	$1.8 billion
Gearing (look through basis)	33.0%
Investment grade credit ratings	
Standard & Poor's	A (stable)
Fitch	A (stable)
Moody's	A2 (stable)

(i) Interest bearing liabilities adjusted for cash and net currency derivatives.

Development activity

One of our competitive advantages is our integrated development, design and construction platform. Our objective is to generate incremental property income and to create value though our development pipeline.

In 2019 the NZ$790 million (SCG share: NZ$400 million) redevelopment of Westfield Newmarket, Auckland was completed, creating the leading lifestyle and fashion destination in New Zealand.

During the year, we also:

- Commenced the $50 million (SCG share: $16 million) project at Westfield Carindale including a new format David Jones store and the introduction of Kmart
- Commenced the $55 million (SCG share: $27.5 million) dining and entertainment precinct at Westfield Mt Druitt, adding 12 new rooftop restaurants and entertainment usages
- Commenced $89 million (SCG share: $64 million) of special projects, including:
  - the Bradley Street dining precinct at Westfield Woden, introducing six new restaurants
  - the expansion and refurbishment of the dining precinct at Westfield Doncaster, introducing 12 new restaurants
  - the creation of a new format Myer and new specialties at Westfield Belconnen

Predevelopment work on future developments continues to progress well.

While we maintain a strong development pipeline, the proposed redevelopment of Westfield Innaloo was deferred in light of the acquisition of a 50% interest in Westfield Booragoon, its future development potential and realignment of the Group's Perth portfolio.

Strategic developments will continue to be a significant driver of growth for the Group and in 2020 there is the planned commencement of the redevelopment of Westfield Knox in Melbourne and the development at Market Street, Sydney which will expand Westfield Sydney as a world class retail destination and the city's home of luxury.

FY20 guidance and outlook

The Group forecasts Operating Earnings for the 12 months ending 31 December 2020 to be between 24.75 and 24.80 cents per security. This would represent growth, on a pro forma basis, of approximately 3.1%.

The Group forecasts to achieve Project Income (after tax) of approximately $28 million (2019: $57 million). This is a function of the amount of project work currently underway on joint ventured assets.

The Group forecasts FFO for the 12 months ending 31 December 2020 of approximately 25.30 cents per security. This would represent growth, on a pro forma basis, of approximately 0.7%.

The above forecasts do not take into account the expected positive impact of completing the remainder of the up to $800 million security buy-back program.

The distribution for 2020 is forecast to be 23.28 cents per security, an increase of 3%. In future years distributions are expected to grow in line with growth in Operating Earnings.

Our ability to keep adapting to the ever-changing customer provides a solid foundation to continue to grow earnings and distributions for our securityholders.

3.5 Matters subsequent to the end of the year

No event has occurred since the end of the year which would significantly affect the operations of the Group.

On 17 February 2020 the Group announced that Ms Aliza Knox would retire from the Board at the conclusion of the AGM on 8 April 2020.

4. A RESPONSIBLE, SUSTAINABLE BUSINESS

Leading our business with a responsible business mindset supports our long-term objective to create sustainable returns for our securityholders.

Our Sustainable Business Framework is built into the way we do business and has four pillars: our communities, our people, our environmental impact and our economic performance. Each of these four pillars complements and supports Our Plan and our interaction with our four key stakeholders.

We will release our 2019 Responsible Business Report and Performance Data Pack at the end of March 2020.

Previous Sustainability Reports, recent case studies and stories from across our business relating to our responsible business initiatives are available on our website www.scentregroup.com/about-us/sustainability.

4.1 Our Environmental Impact

As a responsible, sustainable business we are committed to ensuring that we have an efficient and resilient long-term business. As part of this commitment we are targeting net zero emissions across our wholly-owned portfolio by 2030. Work will continue in 2020 to align our various initiatives to this target.

Highlights during 2019 are:

- Improved GRESB score to 81 out of 100
- Increased average portfolio NABERS rating to 4.1
- Large scale solar electricity generation
  - 6 MW capacity generating ~9,000 MWh per annum
  - Future potential pipeline of >30 MW capacity generating >45,000 MWh per annum
- Reduced carbon emissions intensity by 29% since 2009 with a 2025 target to reduce by 35%
  - Ongoing energy efficiency initiatives, including LED, building management and energy analytic controls and systems
- New waste and recycling technology to reduce landfill and improve recycling

4.2 Environmental regulations

Environmental laws and regulations in force in the various jurisdictions in which we operate are applicable to areas of our operations and in particular to our development, construction and shopping centre management activities. We have in place procedures to identify and comply with such requirements including complying with the conditions of relevant authority consents and approvals and obtaining any necessary licences.

Our compliance procedures are regularly reviewed and audited and their application closely monitored and our approach to sustainability risks is outlined in section 6.1 below.

5. CORPORATE GOVERNANCE STATEMENT

Scentre Group is committed to ensuring that its policies and practices reflect a high standard of corporate governance. Ethical business practices and high standards of personal conduct are fundamental to the way we work as a responsible, sustainable business.

Scentre Group's 2019 Corporate Governance Statement is available in the corporate governance section on our website www.scentregroup.com/about-us/corporate-governance.

During 2019, the Group's corporate governance framework remained consistent with the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations (published in 2014) (3rd edition Principles and Recommendations). While this statement reports against the 3rd edition Principles and Recommendations, the Group's practices are consistent with the 4th edition Principles and Recommendations published in February 2019.

6. RISK

6.1 Risk Management Framework

Scentre Group's risk management framework is based around 3 lines of defence and clear ownership of risk at an operational level where front line business managers are responsible for the identification, measurement, control and mitigation of all material risks (both financial and non-financial). At the core of our approach to risk management is the establishment of a strong risk culture, where behavioural expectations are set by the Board and Executive Committee and actively promoted and cascaded through the organisation. Our approach to risk management is aimed at embedding risk awareness in all decision making and in the management of risks and opportunities. Risk, compliance and audit teams are responsible for assessing, monitoring and reporting on operational and strategic risks. Oversight of material risks by the Executive Risk Management Committee and the Audit & Risk Committee ensures the business operates within the risk appetite and strategy of Scentre Group.

We are exposed to a range of financial and non-financial risks arising from our operations. As part of our corporate strategy we look at risk from several perspectives: (i) analysing how global risk trends may impact our business, (ii) ensuring we operate as a responsible, sustainable business and (iii) addressing retail property specific risks. These risks are subject to continuous assessment and review.

As a property group involved in the design, development, management and operation of retail shopping centres, we face operational risks which have the potential to affect the achievement of our targeted financial outcomes.

We follow an Enterprise Risk Management Policy and Framework (ERM Policy and Framework) to ensure that financial and non-financial risks are identified, evaluated, monitored and managed. Our ERM Policy and Framework is integrated with our day to day business processes and risk management accountability is a key requirement for our business managers and leaders.

The ERM Policy and Framework defines risk oversight responsibilities of the Board and management. The Board sets the overall risk appetite for the Group and has approved strategies, policies and procedures to ensure that key risks are identified and managed. The Board is assisted in its oversight of risk by the Audit and Risk Committee, which in turn is supported by the Executive Risk Management Committee and more broadly, the Executive Committee. We have a dedicated Risk function that supports the understanding and management of risk at all levels of our business.

A number of important strategic and operational risks and how we manage and monitor such risks are outlined below. There may be other risks and uncertainties which we do not currently consider material, or of which the Group is currently unaware, which may also affect the Group. The nature and potential impact of these risks may change over time.

Risk	
External Risks	
Our financial results may be affected by an economic downturn that creates challenging operating conditions	We focus on the geographic diversity of our Westfield Living Centres, creating high quality assets and actively managing those assets to maximise long term revenue, delivering a strong balance sheet with gearing within our stated target and ensuring access to capital/debt funding sources. We ensure that our assets are located in major cities or urban areas supported by population growth.
Regulatory changes may impact our business model which is based on the long-term ownership of assets	Whilst Australia and New Zealand provide politically stable environments, our operations are impacted by evolving government regulations and international standards. To mitigate this risk, we engage with industry and government on policy areas and reform.
Business Risks	
Property Ownership Risks	As a long-term owner of property, with a significant portion of our earnings derived from retail rental income, we are exposed to changes in consumer sentiment or shopping preferences. In addition, anchor tenants occupy a significant portion of the total GLA of our centres. Our strategy is to focus on creating and owning leading retail destinations across Australia and New Zealand, investing to improve the quality of the portfolio and adapting to the next generation of retail. The intensive management of our portfolio is aimed at driving the sales productivity of retailers and to provide superior experiences to consumers. We explore new income and investment opportunities including expanding media and advertising revenues, digital, car parking and infrastructure services. We view the emergence of digital technology as an important element in better connecting the retailer and our centres with the consumer.
Property Management and Development Risks	As we derive a significant portion of our income from property management activities, our financial performance will depend in part on the continued redevelopment and growth of our centres. To mitigate this risk, we have disciplined decision-making processes to take advantage of opportunities to deliver appropriate risk related returns. With development capabilities that include all elements of development, design, construction and project leasing, we have a pipeline of redevelopment and expansion opportunities within our existing portfolio and we remain focused on creating the right product in the right location.
Financial Risks	
Financing Risks	As the real estate investment and development industry is highly capital intensive, our ability to access debt funding at an appropriate price, and to repay principal and interest on our debt, is a key risk. We manage our exposure through: established treasury risk management policies; diverse funding sources with staggered debt maturities and appropriate levels of interest rate hedging. Further information relating to financial risk management is detailed in Note 22 to the Financial Statements.
Operational Risks	
Workplace Health and Safety (WH&S) Risks	A WH&S incident may have a long-term impact on our employees, contractors or broader community. To mitigate this risk, we have a strong workplace health and safety culture, with comprehensive workplace health and safety programs overseen by dedicated risk and security personnel.
Security and Emergency Management Risks	Unexpected catastrophes could occur that place customers, employees and contractors in physical danger. In seeking to exceed the community's expectations we engage with government agencies and specialists to address known security and operational concerns; we have dedicated risk and security personnel; we have embedded safety by design programs; and we have rehearsed security response plans for each of our centres.
IT Systems, Data, Cyber and Business Continuity	There is a risk that we are subject to a cyber-attack or privacy breach, fail to comply with regulatory obligations or suffer a failure or outage of a critical business system. To mitigate this risk we have standards, policies and systems to address cyber and privacy associated risks; invested in appropriate cyber security and disaster recovery systems and personnel and maintain an effective compliance program. Additionally, we have disaster recovery and business continuity plans that are reviewed and tested annually.

Risk	
Sustainability Risks	
Environment	As a long-term owner of real estate, we regularly review the potential for impact on our portfolio from climate change. The risk is that our portfolio is exposed to extreme weather conditions, changing price and/or availability of utility services and that our portfolio may need to adapt to changing regulatory requirements associated with climate change. In managing this risk we are focused on: reducing the cost volatility of utility services through investing in programs to reduce energy, water and waste; expanding our use of alternate energy sources; reducing carbon emissions intensity; enhancing the resilience of our assets to potential business interruptions associated with climate change; and partnering with key stakeholders to understand future financial impacts associated with climate change.
People and Culture	There is a risk that we are unable to attract and retain the talent required to execute our strategies. We recognise the following principles as key contributors to attracting and retaining talent: creating a workforce that is reflective of the communities in which we operate; recognising that diversity in the workforce is a key contributor to the success of our business; creating an inclusive culture that supports employees at all stages of their career and encourages employees to succeed to the best of their ability. We have a number of workplace initiatives to support these principles.
Community	We are exposed to changes in consumer sentiment or shopping preferences. Our communities are at the heart of Our Purpose and community engagement is also fundamental to our success as a responsible and sustainable business. Our community engagement strategy provides the framework, tools and programs for our teams to work with their communities. This strategy is underpinned by our commitment to create places that are inclusive and welcoming, and which our communities are proud to call their own. Each of our centres has a Community Plan for how they will engage and partner with their communities to discover, celebrate and contribute to those matters that are most relevant and valued in their local areas.

As part of being a responsible, sustainable business we have been working on the first stage of a modern slavery risk assessment to identify potential risks in our supply chain and will be conducting a survey of all our Tier 1 suppliers. The risk assessment will also include a review of our controls to identify and mitigate the exposure to the potential risk of modern slavery in our supply chain.

7. DIVIDENDS / DISTRIBUTIONS

A distribution of 11.30 cents per Scentre Group security was paid on 30 August 2019. This distribution was an aggregate distribution from Scentre Group Trust 1 and Scentre Group Trust 2.

A distribution of 11.30 cents per Scentre Group security will be paid on 28 February 2020. This distribution is an aggregate distribution from Scentre Group Trust 1 and Scentre Group Trust 2.

The breakdown of the component parts of the distribution are set out in Note 8 of the Financial Statements and in summary form on page 82 of this Annual Financial Report.

8. DIRECTORS AND SECRETARIES

8.1 Board Membership and Qualifications

The members of the Scentre Group Board at the date of this report and their qualifications, experience and responsibilities are set out below.

Brian Schwartz AM
Independent
Non-Executive Chairman
Chair of the Nomination Committee
Age 67

Brian Schwartz is the non-executive Chairman of Scentre Group. He is also Chairman of the Group's Nomination Committee. In a career with Ernst & Young Australia spanning more than 25 years, he rose to the positions of Chairman (1996 – 1998) and then CEO of the firm from 1998 to 2004. From 2005 to 2009, Brian was the CEO of Investec Bank (Australia) Limited. Brian is a director on the board of a Guardian Early Learning Group company, part of Partners Group, a global private markets investment manager, and is the Chair of the Centennial Park and Moore Park Trust. He is a fellow of the Australian Institute of Company Directors and the Institute of Chartered Accountants. Brian was previously Chairman of Insurance Australia Group Limited, Deputy Chairman of Westfield Corporation, Deputy Chairman of Football Federation Australia Limited and a Director of Brambles Limited.

Peter Allen
Executive Director/
Chief Executive Officer
Age 58

Peter Allen is an executive Director and Chief Executive Officer of Scentre Group. Prior to the establishment of Scentre Group in 2014, Peter was an executive Director and Chief Financial Officer of Westfield Group. Peter joined Westfield in 1996 and between 1998 and 2004 was Westfield's CEO of the United Kingdom / Europe and responsible for establishing Westfield's presence in the United Kingdom. Peter is Chairman of the Shopping Centre Council of Australia and a Director of the Victor Chang Cardiac Research Institute and Essendon Football Club. He is a member of the President's Council of the Art Gallery of NSW and is a member of the Property Council of Australia including his role as a Property Male Champion of Change.

Andrew Harmos
Independent
Non-Executive Director
Chair of the Human Resources Committee
Member of the Nomination Committee
Age 60

Andrew Harmos is a non-executive Director of Scentre Group. He is also the Chairman of the Group's Human Resources Committee and a member of the Nomination Committee. Andrew is one of the founding directors of Harmos Horton Lusk Limited, an Auckland based specialist corporate legal advisory firm, where he specialises in takeover advice and structuring, securities offerings, company acquisitions and disposals and strategic Board and transaction advice. Andrew holds a Bachelor of Commerce and a Bachelor of Laws (Honours) from The University of Auckland. He is a Director of AMP Limited, AMP Life Limited and The National Mutual Life Association of Australasia Limited. He chairs the Risk Committee of AMP Limited and the Risk and Audit Committees of AMP Life Limited and The National Mutual Life Association of Australasia Limited. Andrew was formerly Chairman of the New Zealand Stock Exchange and a Trustee of the Arts Foundation of New Zealand.

Michael Ihlein
Independent
Non-Executive Director
Chair of the Audit and Risk Committee
Member of the Nomination Committee
Age 64

Michael Ihlein is a non-executive Director of Scentre Group. He is also Chairman of the Group's Audit and Risk Committee and a member of the Nomination

Committee. Mike is a highly experienced corporate and finance executive with a long career with Coca-Cola Amatil Limited (and related companies) where he was Managing Director, Poland (1995 – 1997) and Chief Financial Officer and Executive Director (1997 – 2004). Mike joined Brambles as Chief Financial Officer and Executive Director in March 2004 and held the position of Chief Executive Officer from July 2007 until his retirement in November 2009. Mike holds a Bachelor of Business Studies (Accounting) from the University of Technology, Sydney. He is currently a non-executive Director and Chair of the Risk & Audit Committee of CSR Limited and is also a Fellow of the Australian Institute of Company Directors, CPA Australia and the Financial Services Institute of Australasia. Mike was formerly a Director of Murray Goulburn Co-operative Co. Limited, from 2012 to 2017, and of Snowy Hydro Limited, from 2012 to 2019.

Carolyn Kay
Independent
Non-Executive Director
Member of the Audit and Risk Committee
Age 58

Carolyn Kay is a non-executive Director of Scentre Group. She is also a member of Scentre Group's Audit and Risk Committee. Carolyn has had more than 30 years of experience in the finance sector as an executive and non-executive director. In addition, Carolyn has been and remains a non-executive director of enterprises across a broad range of industries. She is currently a Guardian of the Future Fund, a non-executive director of Myer Family Investments and a member of the Federal Government's Retirement Income Review Panel. In the not for profit sector, Carolyn is also a non-executive director of the General Sir John Monash Foundation. As an executive Carolyn worked as a banker and lawyer at Morgan Stanley, JP Morgan and Linklaters & Paines in London, New York and Australia. Carolyn holds Bachelor Degrees in Law and Arts (University of Melbourne), a Graduate Diploma in Management (AGSM) and is a Fellow of the Australian Institute of Company Directors. She was awarded a Centenary Medal for services to Australian society in business leadership.

Aliza Knox
Independent
Non-Executive Director
Member of the Human Resources Committee
Age 59

Aliza Knox is a non-executive Director of Scentre Group. She is also a member of the Group's Human Resources Committee. Aliza has more than three decades of broad international marketing and management experience. She holds an MBA in Marketing (Honors) from New York University-Leonard N. Stern, School of Business, and a B.A., Applied Mathematics and Economics (Magna Cum Laude) from Brown University. Aliza is currently the Head of Asia for Cloudflare Inc and a non-executive director of Grant Thornton International Limited. Her previous roles include Chief Operating Officer at Unlockd, Vice President, Asia Pacific at Twitter from 2012 to 2017, Managing Director of Commerce and Online Sales & Operations for Asia Pacific at Google Asia Pacific Pte. Ltd. from 2007 to 2012, Senior Vice President, Commercial Solutions and Global Product Platforms at Visa International (from 2002 to 2007) and Senior Vice President, International Wireless and Global Expansion Asian Focus at Charles Schwab Corporation (from 1999 to 2001). Aliza was also a non-executive Director of InvoCare from 2011 to 2015, a member of the supervisory board of GfK from 2014 to 2017, a member of ANZ's International Technology and Digital Business Advisory Panel from 2015 to 2017 and a non-executive Director of Singapore Post Limited from August 2013 to July 2018.

Steven Leigh
Independent
Non-Executive Director
Member of the Human Resources Committee (from 1 January 2020)
Age 57

Steven Leigh's career in the real estate investment management and development industry spans more than three decades. He has in depth knowledge of real estate economics and experience in retail assets. During a 25 year career at QIC, Steven held a number of senior positions including most recently Managing Director – Global Real Estate with QIC. Steven's prior roles also include Managing Director of Trinity Limited and subsequently the Chief Executive Officer of the wholesale unlisted funds management business. Following LaSalle Investment Management's acquisition of Trinity Funds Management, Steven held the position of Head of Australia for LaSalle Investment Management. He is a non-executive Director of the ASX listed stapled entity, National Storage REIT. Steven is also one of the founding members of Male Champions of Change established by the Property Council of Australia. He is a registered valuer, having started his career as a valuer with National Mutual Life. Steven is a graduate of Gatton College (now part of the University of Queensland) and the Queensland University of Technology in the disciplines of real estate valuation and project management.

Steven was appointed as a non-executive Director at the Group's AGM on 4 April 2019.

Margaret Seale
Independent
Non-Executive Director
Member of the Audit and Risk Committee
Member of the Human Resources Committee
Age 59

Margie Seale is a non-executive Director of Scentre Group. She is also a member of the Group's Audit and Risk Committee and the Human Resources Committee. Margie has more than 25 years' experience in senior executive roles in Australia and overseas, including in the consumer goods, health and global publishing sectors, in sales and marketing, and in the successful transition of traditional business models to digital environments. Immediately prior to her non-executive career, Margie was Managing Director of Random House Australia and New Zealand and President, Asia Development for Random House globally. She is currently a non-executive director of Telstra Corporation Limited and Westpac Banking Corporation. Margie has previously served on the boards of Australian Pacific (Holdings) Pty Limited, Penguin Random House Australia Pty Ltd (as a non-executive director and then Chair), the Australian Publishers' Association, Bank of Queensland Limited, Ramsay Health Care Limited, Chief Executive Women (chairing its Scholarship Committee), the Powerhouse Museum and the Sydney Writers' Festival. In 2015, Margie founded philanthropic literary travel company Ponder & See, which funds writers' festivals and writers through creating literary trips or experiences for interested readers.

8.2 Directors' Relevant Interests

The relevant interests of each Director in Scentre Group securities as at the date of this report are shown below.

Director	Number of Stapled Securities
Brian Schwartz	165,861
Peter Allen	5,510,627
Andrew Harmos	80,795
Michael Ihlein	48,048
Carolyn Kay	57,000
Aliza Knox	60,400
Steven Leigh	50,000
Margaret Seale	56,750

No Director holds options over any issued or unissued Scentre Group securities. No options over any issued or unissued stapled securities have been issued to the Directors. None of the Directors hold debentures of Scentre Group.

None of the non-executive Directors are party to or entitled to a benefit under a contract which confers a right to call for, or be delivered, interests or securities in the Group.

Steven Lowy retired on 4 April 2019. His relevant interests were disclosed on that date.

Details of the performance rights held by the CEO are set out in the Remuneration Report.

8.3 Directors' attendance at meetings

The number of Board and Committee meetings held and attended by each Director during the Financial Year are detailed below.

	Board		Audit and Risk Committee[ii],[iii]		Human Resources Committee[iii]		Nomination Committee[iii]	
Director	Held[i]	Attended	Held	Attended	Held	Attended	Held	Attended
Brian Schwartz	10	10	–	–	–	–	4	4
Peter Allen	10	10	–	–	–	–	–	–
Andrew Harmos[iv]	10	9	–	–	6	6	4	4
Michael Ihlein	10	10	5	5	–	–	4	4
Carolyn Kay	10	10	5	5	–	–	–	–
Aliza Knox	10	9	–	–	6	6	–	–
Steven Lowy (retired 4 April 2019)	2	2	–	–	–	–	–	–
Steven Leigh (appointed 4 April 2019)	8	8	–	–	–	–	–	–
Margaret Seale	10	10	5	5	6	6	–	–

(i) Meetings held during period of appointment.

(ii) Directors also attend meetings of Committees of which they are not a member. The Chairman of the Board is the Chairman of the Nomination Committee and he also typically attends meetings of the Audit and Risk Committee and Human Resources Committee. This attendance is not reflected in the table above.

(iii) The Committees are comprised of the following non-executive Directors: Nomination Committee: Brian Schwartz (Chair), Andrew Harmos and Michael Ihlein; Audit and Risk Committee: Michael Ihlein (Chair), Carolyn Kay and Margaret Seale; and Human Resources Committee: Andrew Harmos (Chair), Aliza Knox, Margaret Seale and (effective 1 January 2020) Steven Leigh.

(iv) Mr Harmos did not attend one meeting of the Board as he had a declared conflict of interest in relation to the matter under consideration at the meeting.

8.4 Directors' directorships of other listed companies

Details of all directorships of other listed entities held by each Director[#] in the 3 years immediately before 31 December 2019 are as follows:

Director	Company	Date appointed	Date resigned
Brian Schwartz	Scentre Management Limited*	6 May 2009	Continuing
	RE1 Limited*	30 June 2014	Continuing
	RE2 Limited*	30 June 2014	Continuing
	Westfield America Management Limited^	6 May 2009	7 June 2018
	Westfield Corporation Limited^	8 April 2014	7 June 2018
Peter Allen	Scentre Management Limited*	25 May 2011	Continuing
	RE1 Limited*	12 August 2010	Continuing
	RE2 Limited*	12 August 2010	Continuing
Andrew Harmos	Scentre Management Limited*	30 June 2014	Continuing
	RE1 Limited*	21 December 2010	Continuing
	RE2 Limited*	21 December 2010	Continuing
	AMP Limited	1 June 2017	Continuing
Michael Ihlein	Scentre Management Limited*	30 June 2014	Continuing
	RE1 Limited*	21 December 2010	Continuing
	RE2 Limited*	21 December 2010	Continuing
	CSR Limited	7 July 2011	Continuing
	MG Unit Trust	3 July 2015	27 October 2017
Carolyn Kay	Scentre Management Limited*	24 February 2016	Continuing
	RE1 Limited*	24 February 2016	Continuing
	RE2 Limited*	24 February 2016	Continuing
	Brambles Limited	21 August 2006	23 October 2018
Aliza Knox	Scentre Management Limited*	7 May 2015	Continuing
	RE1 Limited*	7 May 2015	Continuing
	RE2 Limited*	7 May 2015	Continuing
Steven Leigh	Scentre Management Limited*	4 April 2019	Continuing
	RE1 Limited*	4 April 2019	Continuing
	RE2 Limited*	4 April 2019	Continuing
	National Storage Holdings Limited	21 November 2014	Continuing
Margaret Seale	Scentre Management Limited*	24 February 2016	Continuing
	RE1 Limited*	24 February 2016	Continuing
	RE2 Limited*	24 February 2016	Continuing
	Telstra Corporation Limited	7 May 2012	Continuing
	Westpac Banking Corporation	1 March 2019	Continuing
	Bank of Queensland Limited	21 January 2014	28 June 2018
	Ramsay Health Care Limited	28 April 2015	31 October 2018

Notes:

* Scentre Group comprises the Company, Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2) and Scentre Group Trust 3 (SGT3). The responsible entity of SGT1 is Scentre Management Limited. The responsible entity of SGT2 is RE1 Limited and the responsible entity of SGT3 is RE2 Limited. Scentre Management Limited is also the responsible entity of Carindale Property Trust, a listed managed investment scheme (ASX:CDP).

^ Westfield Corporation comprised Westfield Corporation Limited, Westfield America Trust and WFD Trust (ASX:WFD). The responsible entity of each scheme was Westfield America Management Limited.

[#] Former Director Steven Lowy retired on 4 April 2019. He was a director of Scentre Management Limited from 28 June 1989 to 4 April 2019; RE1 Limited from 12 August 2010 to 4 April 2019; RE2 Limited from 12 August 2010 to 4 April 2019; Westfield America Management Limited from 20 February 1996 to 7 June 2018; Westfield Corporation Limited from 28 November 2013 to 7 June 2018 and OneMarket Limited, which was removed from the official list of ASX on 12 December 2019, from 12 December 2017.

8.5 Secretaries

As at the date of this report, the Company had the following Secretaries:

Ms Maureen McGrath

Ms Maureen McGrath was appointed General Counsel, Compliance and Secretariat of Scentre Group in June 2014. Prior to the establishment of Scentre Group, Ms McGrath was General Counsel, Corporate and Compliance, Westfield Group. She holds a Bachelor of Laws and a Bachelor of Jurisprudence from the University of New South Wales. Ms McGrath is a Fellow of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors.

Mr Paul Giugni

Mr Paul Giugni was appointed General Counsel of Scentre Group in June 2014. Prior to the establishment of Scentre Group, Mr Giugni was General Counsel, Australia and New Zealand, Westfield Group. He joined Westfield Group in September 1998 and holds a Bachelor of Economics and a Bachelor of Laws (Honours) from the University of Sydney. Prior to joining Westfield Group, Mr Giugni was a solicitor at Freehill Hollingdale and Page (now Herbert Smith Freehills).

9. INDEMNITIES AND INSURANCE PREMIUMS

Subject to the following, no indemnity was given or insurance premium paid during or since the end of the Financial Year for a person who is or has been an officer or auditor of the Group.

The Company's Constitution provides that a person who is or has been a Director or Secretary of the Company may be indemnified by the Company against liabilities incurred by the person in that capacity and for all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings in which the person becomes involved because of that capacity. The indemnity does not apply to the extent that the Company is forbidden by statute to indemnify the person or the indemnity would, if given, be made void by statute.

The Group has paid premiums for directors' and officers' liability insurance in respect of Directors, Secretaries and Executive Officers of the Group as permitted by the Corporations Act 2001. The terms of the insurance policy prohibit disclosure of details of the nature of the liabilities covered by, and the amounts of the premiums payable under, that insurance policy.

In addition, each Director has entered into a Deed of Indemnity and Access which provides for indemnity against liability as a Director, except to the extent of indemnity under an insurance policy or where prohibited by statute. The deed also entitles the Director to access Company documents and records, subject to undertakings as to confidentiality.

To the extent permitted by law, the Company has agreed to indemnify its auditors, EY, as part of the standard terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment with respect to such indemnity has been made to EY during or since the Financial Year.

10. AUDIT

10.1 Audit and Risk Committee

As at the date of this report, the Company had an Audit and Risk Committee of the Board of Directors.

10.2 Non-Audit Services and Audit Independence

During the year EY, the Group's auditor, has provided certain non-audit services to the Group.

Details of the amount paid to the auditor, which includes amounts paid for non-audit services, are set out in Note 38 to the Financial Statements. The Board is satisfied that the provision of non-audit services by the auditor during the Financial Year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Furthermore, the provision of non-audit services by the auditor during the Financial Year did not compromise the independence requirements under the Corporations Act 2001 because:

- the Group's Charter of Non-Audit Services sets out the categories of non-audit services that the auditor may or may not undertake. Those categories of permitted services remain subject to the overriding principle that a non-audit service may not be provided in circumstances where it would be detrimental to the actual or perceived independence of the statutory auditor;
- the Charter of Non-Audit Services provides a mechanism by which approval for non-audit services proposed to be performed by the auditor is required to be given prior to the provision of such non-audit services, providing an appropriate review point for independence issues prior to engagement;
- under the Charter of Non-Audit Services, the auditor is required to report as to its compliance with the terms of the Charter and, in all instances, confirm the position that the independence of EY as statutory auditor has been maintained; and
- the auditor has provided an Auditor's Independence Declaration to the Board declaring that there has been no contravention of the auditor independence requirements of the Corporations Act 2001 or of any applicable code of professional conduct.

10.3 Auditor's Independence Declaration to the Directors of Scentre Group Limited

EY
Building a better working world

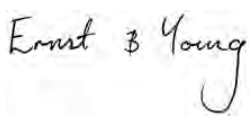
Auditor's Independence Declaration to the Directors of Scentre Group Limited

As lead auditor for the audit of Scentre Group Limited for the financial year ended 31 December 2019, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Scentre Group Limited and the entities it controlled during the financial year.



Ernst & Young

Megan Wilson
Partner

Sydney, 18 February 2020

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11. REMUNERATION REPORT

Message from the Chairman of the Human Resources Committee

Dear Securityholder

On behalf of the Board, I am pleased to introduce the Group's 2019 Remuneration Report.

The report describes our approach to remuneration, the links between our strategy, the Group's performance and remuneration outcomes for our key management personnel (KMP), and our framework for effective governance of remuneration matters. We will seek your support for this report at our 2020 Annual General Meeting (AGM) to be held on 8 April 2020.

Our approach

Underpinning our remuneration framework are our culture and values – our DNA – and our Purpose – *creating extraordinary places, connecting and enriching communities*.

Our executive KMP and senior leadership team are held to high standards of both business performance and personal behaviour and are expected to live by and actively promote our culture and values. These are fundamental to how we operate as a responsible sustainable business.

Our approach to remuneration is to reward our executives fairly and responsibly with outcomes clearly linked to delivery of our strategy and to Group and individual performance. This approach encourages our executives to prioritise the Group's interests over team and team over individual interests. Performance assessments consider both business results as well as an executive's alignment with and demonstration of our DNA in contributing to the success of the Group.

The Board and management's philosophy is to maintain a long-term focus, to continually improve our earnings, assets and return on equity through economic cycles within a framework of low tolerance for risk.

Our philosophy informed the decisions made with regard to our short-term (STAR) and long-term (LTAR) at-risk remuneration, as outlined below.

Remuneration outcomes

FY19 STAR

Our major achievements in 2019 are discussed in the Directors' Report and highlighted in the summary on page 23.

The 2019 STAR outcome was at 78.2% of maximum for our CEO (2018: 80.8%) and 60% of maximum for our CFO (appointed to the role on 4 April 2019). In determining STAR remuneration outcomes, the Board assessed several factors including achievement against financial measures and qualitative outcomes including risk management, people and capability, retailer partnerships and customer experience. 2019 was the first year for which the STAR included a 10% Board-assessed discretionary component in recognition that the emphasis on business priorities may shift during the year.

FY17 LTAR vesting

The hurdles under the 2017 LTAR were tested in December 2019. Consistent with prior years, these were return on contributed equity (ROCE), with a 75% weighting and a development return hurdle, with a 25% weighting.

During the period following the setting of the 2017 LTAR hurdles and grant of those LTARs, the Group disposed of its interest in the Sydney CBD office towers (June 2019) and joint ventured 50% of the Group's interest in Westfield Burwood (May 2019). These transactions had a dilutionary impact on both FFO and ROCE for 2019. The Group also acquired 50% of Westfield Eastgardens in 2018. The Group has yet to fully redeploy the funds raised from the sale transactions which we expect to do progressively, and in a manner that offsets the dilutionary impact on FFO and ROCE.

Having regard to these matters, the Board determined to adjust the 2017 LTAR ROCE hurdle (measured in 2019) in accordance with its discretion to do so, to reflect the impact of capital transactions that occurred during the performance measurement period (refer section 11.4(h) of this report). In considering whether to make an adjustment, the Board reviewed the benefits to the Group and so to securityholders of implementing the transactions, the reduction in risk on the portfolio through strategic sales and resulting availability of funds to pursue strategic acquisition opportunities such as Westfield Booragoon and the security buy-back. The Board also considered the importance of encouraging management to pursue initiatives and transactions aligned with our strategic focus and which are expected to yield long-term benefits, despite potential negative short-term financial consequences.

Target ROCE for 2019 under the 2017 LTAR was 13.40% which, adjusted for the transactions, was reset to 13.04%. ROCE achieved for the purposes of the hurdle (on an adjusted basis) was 12.84%, which resulted in 90% vesting of the ROCE hurdle (2018: 110%).

Vesting under the development return hurdle (which measures actual yields achieved on major developments against Board approved forecast yields) was also at 90% (2018: 110%).

Further details of the LTAR hurdles and vesting are set out in section 11.4 of this report.

FY19 LTAR hurdles

While 2019 continued to be a period of significant achievement for the Group and we maintain a strong development pipeline, the proposed redevelopment of Westfield Innaloo was deferred in light of the acquisition of a 50% interest in Westfield Booragoon, its future development potential and realignment of the Group's Perth portfolio. Consequently, no major developments for the purpose of the development return hurdle for the 2019 LTAR awards (to be measured in December 2021) commenced during the year.

In the absence of any major development, the Board reviewed the LTAR hurdles and determined that, in this instance, it was appropriate that ROCE should be the sole hurdle under the 2019 LTAR with 100% weighting. ROCE is an important multi-factor measure of how returns on securityholder equity are generated through a combination of improving earnings and capital management.

The Board again considered whether other measures, including a TSR measure favoured by a number of investors, is appropriate for the Group given the deferral of the Westfield Innaloo development in 2019, and more generally going forward. The Board will continue to consult with proxy advisors and investors on this topic, but at this time remains of the view that performance hurdles should focus on the fundamentals of the Group's business and linked to factors within the control of the Group and management to deliver. The value of the rights granted under the STAR and LTAR increase or decrease depending on the security price, providing alignment with securityholder returns as do the associated deferral requirements (being a minimum of 3 years) under the STAR and LTAR. Our executive KMP and Board are also required to maintain minimum securityholdings further aligning their interests to those of the securityholders.

The Board has determined to retain the two hurdles for 2020 LTAR awards (measured in December 2022) with the planned commencement of the redevelopment of Westfield Knox in Melbourne and the development at Market Street, Sydney which will expand Westfield Sydney as a world class retail destination and the city's home of luxury.

Strategic major developments will continue to be a significant driver of growth for the Group. Depending on the level of planned major developments in a year but having regard to the likelihood of fewer major developments in the future, and absent any alternative appropriate measure, the Board has determined that the LTAR hurdle will operate such that the respective weightings will be ROCE 75% – 100% and the development return hurdle 0% – 25%.

As the grant of our CEO's performance rights under the 2019 LTAR (based on the two hurdles) was approved by securityholders at our 2019 AGM, we will be requesting securityholder approval at our 2020 AGM that the 2019 LTAR hurdles be adjusted to be ROCE with 100% weighting. Further details will be set out in the notice of meeting for the 2020 AGM.

Executive team

During 2019, we announced several changes to our executive KMP. As a result of these changes, at this time our executive KMP are our CEO and CFO.

Our CEO and CFO are supported by a strong underlying executive team. Oversight by the Committee of succession planning, capability and talent development for the senior leadership team will remain a key focus in 2020.

The year ahead

While our CEO, Peter Allen, continued to perform strongly throughout a challenging year, the Board determined not to make any increase to any aspect of his remuneration arrangements for 2020. Peter's fixed remuneration has not increased since the Group was established in 2014. As Peter's remuneration package benchmarks appropriately to the median of our primary comparator group, (being ASX 30, excluding the "Big 4" banks, Rio Tinto and BHP) the Board believes it represents a competitive market position.

During the year, Elliott Rusanow joined us as the CFO. His remuneration package was set having regard to the depth of his experience in our industry both domestically and internationally. No changes have been made to his remuneration remuneration package, including the relative weight attributed to its component parts, for 2020.

As reported last year, from 1 January 2019 the fees paid to members of the Human Resources Committee (excluding the chairman) increased by $10,000 payable over a two-year period ($5,000 per year). The second tranche of the increase became effective 1 January 2020. No changes are proposed to non-executive Director fees for 2020.

The last year has seen continued change in the regulatory landscape and community expectations regarding executive remuneration and we continue to watch developments across the market.

The Board considers that our remuneration arrangements are strategically aligned and reinforce executive accountability and responsible business practices. We remain committed to regular and critical review of our remuneration framework and policies on an ongoing basis.

We are pleased to welcome our new director Steven Leigh to the Committee, effective 1 January 2020, and look forward to his contribution, experience and insights.

Andrew Harmos
Chairman, Human Resources Committee

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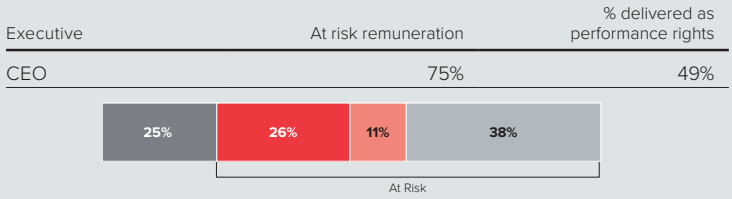
SUMMARY: HOW PERFORMANCE IS LINKED TO REMUNERATION OUTCOMES

EXECUTIVE KMP: REMUNERATION MIX

The remuneration mix for our executive KMP is weighted towards at risk remuneration (expressed as a % of available maximum at grant)

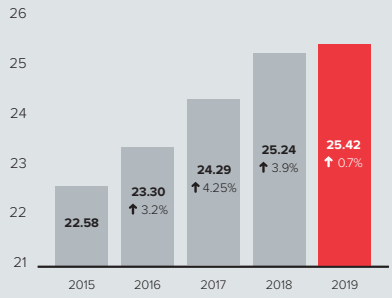


SHORT TERM AT RISK REMUNERATION (STAR) OUTCOMES

The KPIs for our executive KMP are aligned to the delivery of our purpose and strategic priorities

The FY19 STAR outcome (which assesses 2019 performance) for our executive KMP (% of maximum) was CEO: 78.2% and CFO: 60.0%

FFO % increase per security (cents per security)



FINANCIAL PERFORMANCE

FFO of 25.42 cents per security up 0.7% (or 3.2% excluding the impact of transactions)

Project profits of $57.2 million after tax

Capital management activity including:

- divestment of the **Sydney Office Towers for $1.52 billion**
- joint venture of 50% share in **Westfield Burwood for $575 million**
- acquiring a 50% interest in **Westfield Booragoon for $570 million**
- **'A Stable' credit rating** assigned by Fitch
- **Security buy-back program** of up to $800 million was commenced, $304 million of securities purchased in 2019

Development activity with the opening of the NZ$790 million (SCG share: NZ$400 million) redevelopment of Westfield Newmarket, Auckland

CUSTOMER AND RETAIL PARTNERSHIPS

Annual customer visits increased to over 548 million

Welcomed 344 new brands to the portfolio, while 279 existing brands grew their store network

Net Promoter Score of 35, up 7 points

Reputation Score increased by 5.3% (above target of 2.0%)

Westfield Plus, a mobile-app based membership program launched at Westfield Newmarket with over 200,000 downloads

LEADERSHIP AND PEOPLE

Employee engagement at 84% placing us in the top 2% of companies globally

WGEA Employer of Choice for Gender Equality. Women in management is currently at 44%

Culture of safety and wellbeing with a continued focus on our 'People Protecting People' initiative

Integrated Diversity and Inclusion program embedded across the organisation

LONG TERM AT RISK REMUNERATION (LTAR) OUTCOMES

Granted in 2017 and measured at the end of 2019

ROCE (75% weighting): Maximum vesting opportunity 150%. Vested at 90%

Development return hurdle (25% weighting): referable to Westfield Carousel and Westfield Coomera. Maximum vesting opportunity 125%. Vested at 90%

ROCE of 12.84% was achieved under the 2017 LTAR

Development return hurdle: The developments which commenced in 2017 were Westfield Carousel in Perth and Westfield Coomera in Queensland

- Minimum development return of 7.02%
- 97.5% of aggregate target return achieved

OTHER REMUNERATION OUTCOMES

There are no increases in the fixed remuneration, STAR or LTAR (at grant) opportunities for our executive KMP

11.1 Key Management Personnel

This report explains our approach to the remuneration of our Key Management Personnel (KMP). KMP are those individuals having the authority and responsibility for planning, directing and controlling the activities of Scentre Group, either directly or indirectly. They include non-executive Directors, the CEO and those senior executives considered executive KMP. For the year ended 31 December 2019, KMP were:

Name	Position
Executive Director	
Peter Allen	Chief Executive Officer
Senior Executives	
Elliott Rusanow	Chief Financial Officer (appointed 4 April 2019)
Non-Executive Directors	
Brian Schwartz	Chairman
Andrew Harmos	Director
Michael Ihlein	Director
Carolyn Kay	Director
Aliza Knox	Director
Steven Leigh	Director (appointed 4 April 2019)
Margaret Seale	Director
Former Non-Executive Directors	
Steven Lowy	Director (retired 4 April 2019)
Former Senior Executives	
Mark Bloom	Chief Financial Officer (until 4 April 2019)
Greg Miles	Chief Operating Officer (until 16 October 2019)
Cynthia Whelan	Chief Strategy and Business Development Officer (between 19 February 2019 – 14 October 2019)

11.2 Key Questions

Questions		Further information
Remuneration in 2019		
1. How is the Group's 2019 performance reflected in this year's remuneration outcomes?	2019 financial highlights and people and customer highlights appear in a number of sections.	The Directors' Report Summary on page 23 Section 11.4
2. What changes were made to the remuneration framework in 2019?	No changes were made to the framework.	
3. Are any changes planned for 2020?	There are no planned changes.	
Remuneration framework		
4. What is the remuneration framework?	Remuneration comprises fixed and at risk remuneration, with at risk remuneration including both short (STAR) and long term (LTAR) components.	Section 11.3
5. Who do we benchmark against?	As a reference point to compare remuneration levels for our executives our primary comparator group is the ASX 30, excluding the "Big 4" banks, Rio Tinto and BHP. We also benchmark against the A-REIT sector.	Section 11.3
6. What proportion of the remuneration is at risk?	The 2019 at risk (i.e. the short term at risk (STAR) and long term at risk (LTAR)) proportion of maximum remuneration measured at grant date was CEO: 75% and CFO: 71.5%.	Section 11.3
7. Are there any clawback or cancellation provisions for at risk remuneration?	Yes. The plans contain provisions for the lapsing of all unvested awards in a number of circumstances.	Section 11.7
8. Does the Group have a minimum securityholding requirement?	Yes. Executive KMP and non-executive Directors are required to maintain a minimum holding of securities.	Section 11.7
At risk remuneration		
9. Are any STAR payments deferred?	Yes. 30% of the actual STAR awarded is delivered as performance rights, which vest after 3 years.	Section 11.3 and Section 11.7
10. Are STAR payments capped?	Yes. The potential maximum STAR for executive KMP is capped at 150% of their fixed remuneration.	Section 11.3
11. What are the performance measures for the LTAR?	The 2019 LTAR hurdles were initially determined as: – A return on contributed equity (ROCE) hurdle with a 75% weighting (ROCE will be assessed by reference to ROCE in year 3, being 2021). – A development return hurdle with a 25% weighting (also measured at the end of year 3). However, as the proposed redevelopment of Westfield Innaloo was deferred, the Board determined that ROCE should be the sole hurdle under the 2019 LTAR with 100% weighting.	The Committee Chairman's letter Section 11.4 and Section 11.7
12. Did the Board consider any alternative hurdles?	Yes. In its review, the Board again considered whether there are other measures including TSR which are appropriate for the Group. The Board's view remains that performance hurdles should focus on the fundamentals of the Group's business and linked to factors within the control of the Group and management to deliver.	Section 11.7
13. Can the LTAR hurdles be adjusted?	Yes. The Board reserves the right to adjust performance hurdles under the LTAR plan to reflect the impact of any capital transaction occurring during the performance period.	Section 11.4 and Section 11.7
14. Does the LTAR have re-testing?	No. If full qualification for awards is not achieved, there is no provision for re-testing the hurdles.	Section 11.7
15. Is the size of LTAR grants increased in light of performance conditions?	The number of rights which vest is based on a graduated scale dependent on performance against metrics set at the time of grant. Actual performance can result in a decrease to zero or an increase in the number of securities that can be delivered on vesting, subject to a cap.	Section 11.4 and Section 11.7
16. Can participants hedge their unvested awards?	No. Participants are prohibited from hedging awards.	Section 11.7
17. Does Scentre Group buy securities or issue new securities to satisfy vesting?	Where rights are settled with securities, the Group settles the rights with securities that have been acquired on-market and transfers the securities to executives.	Section 11.7
18. Is the CEO grant of performance rights subject to securityholder approval?	Yes. The grant of 2019 performance rights to the CEO was approved at the 2019 AGM and approval for the grant of 2020 performance rights to the CEO will be sought at the AGM on 8 April 2020. As the grant of our CEO's 2019 performance rights under the FY19 LTAR (based on the two hurdles) was approved by securityholders at our 2019 AGM, we will be requesting securityholder approval at our 2020 AGM that the FY19 LTAR hurdles be adjusted to be ROCE (to be measured in 2021) with 100% weighting.	Section 11.7
19. Are distributions paid during the vesting period?	No. However, the number of rights allocated is determined using the face value of Scentre Group securities, adjusted for the estimated value (based on the Group's published 1-year forecast) of distributions that may be paid on stapled securities during the vesting period. No adjustments are made in relation to actual distributions paid.	Section 11 .7

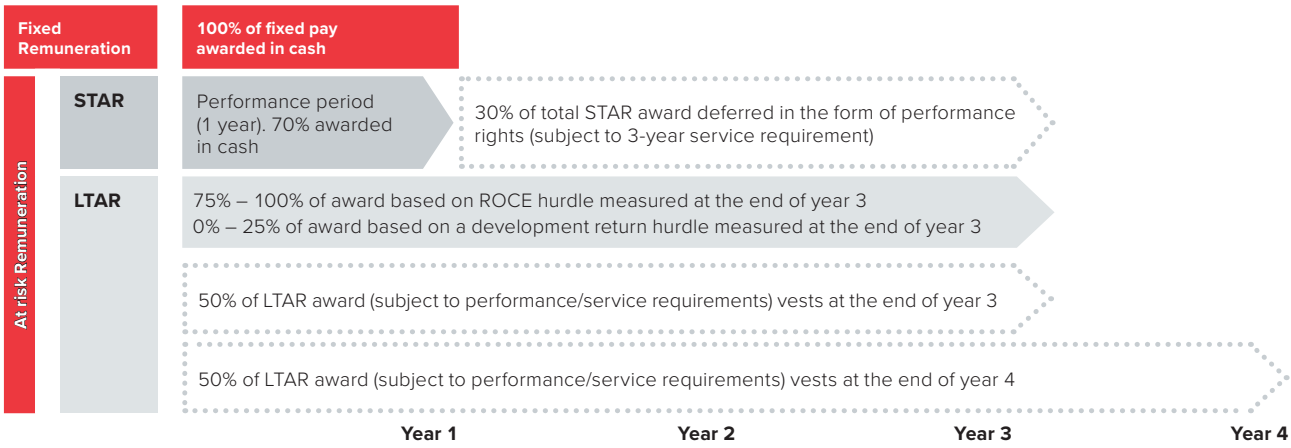
11.3 Remuneration philosophy and link to business strategy

Objectives

Attract and retain the best talent	Fairly reward our people	Align the interests of our people with securityholders

Remuneration element	Considerations/Performance conditions	Alignment with strategy and performance
Fixed remuneration Base salary (inclusive of superannuation). Fixed remuneration for our executive KMP and senior leadership team is targeted at the 75th percentile of our comparator group (ASX 30, excluding the "Big 4" banks, Rio Tinto and BHP).	Considerations in setting fixed remuneration include: the scope and complexity of the role, the individual's experience, knowledge and skills, individual performance and market benchmarking.	Fixed remuneration is set at market competitive levels to attract and retain key talent.
At risk remuneration *The value of rights granted under the STAR and LTAR increases or decreases depending on the security price* **Short-term at-risk remuneration (STAR)** Rewards current year performance. 70% of achieved STAR is paid in cash at the end of the year. 30% of achieved STAR is delivered as performance rights which vest after 3 years, creating a longer term and retention focus. Our STAR is structured as annual at-risk remuneration. Underperformance and failure to achieve KPIs results in a reduction of rewards under the STAR.	**Financial measures** CEO: 65% and CFO: 75% **Non-financial measures** CEO: 35% and CFO: 25% Details of the STAR performance measures are at section 11.4.	The STAR provides differentiation of pay for performance based on business and individual performance outcomes. Performance conditions are designed to support the financial and strategic direction of the Group, with KPIs that are measurable, while also providing for the exercise of Board judgement, and allowing for appropriate differentiation of reward for performance. From 2019 a 10% Board discretionary component forms part of the STAR performance assessment for executive KMP. This applies alongside the Board's exercise of judgement in applying various measures and setting the final performance outcomes.
Long-term at-risk remuneration (LTAR) Rewards long term performance. Delivered as performance rights which vest in two tranches at the end of year 3 and year 4 if the performance hurdles are achieved.	1. ROCE hurdle (75% – 100% weighting) 2. Development return hurdle (0% – 25% weighting) If there are no planned major developments in a year, absent any alternative appropriate long-term measure, the Board intends that ROCE (which is a two-factor measurement being FFO and contributed equity) be the sole hurdle under the LTAR with 100% weighting. Further details of the LTAR performance conditions are at sections 11.4 and 11.7.	The LTAR ensures a strong link to the long-term performance of the Group, the creation of securityholder value and acts as a retention tool. ROCE is an important long-term measure of how the senior management team generates returns on securityholder equity through a combination of improving earnings and capital management. Strategic major developments will continue to be a significant driver of growth for the Group through adding to the scale and enhancing the quality of our portfolio. The development return hurdle is linked to long term securityholder value as it is assessed against actual incremental income yields generated through the completion of major developments (over $50 million).

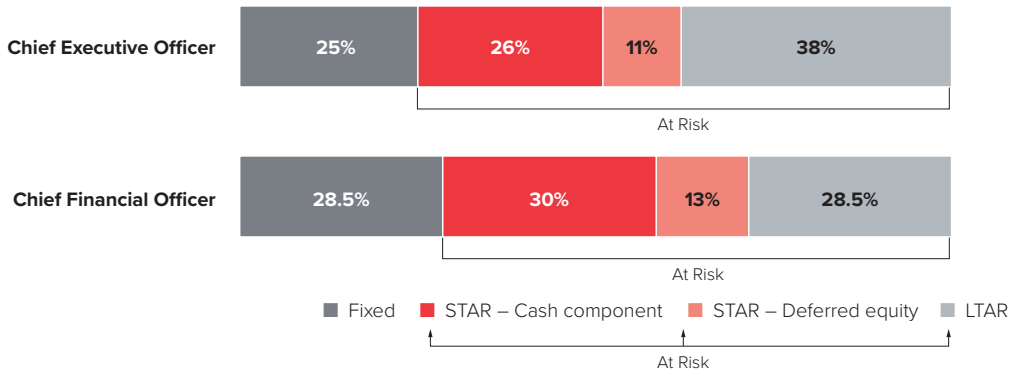
When is remuneration earned and received?



Executive KMP remuneration

The remuneration mix for our executive KMP is weighted towards at risk remuneration. The potential maximum STAR (as a percentage of fixed remuneration) for each of our executive KMP is 150%. The LTAR (at grant, as a percentage of fixed remuneration) for our executive KMP is CEO: 155% and CFO: 100%.

The tables below show each of the components as a percentage of maximum remuneration at grant for our executive KMP for 2019. The actual amount delivered under the STAR and LTAR depends on the level of achievement of the performance measures.



As a reference point to compare remuneration levels for our executives our primary comparator group is the ASX 30, excluding the "Big 4" banks, Rio Tinto and BHP. We believe that this continues to reflect the changing nature of our business, our size and strategic agenda including our desire to attract and be competitive in the market for talent from the broader ASX30. We also benchmark against the A-REIT sector.

11.4 Remuneration outcomes and the link between performance and reward

Our major achievements in 2019 are highlighted in the Directors' Report and highlighted in the summary on page 23.

(a) Business performance and security price

The following table represents business performance outcomes and security price over the last 5 years.

		FY19	FY18	FY17	FY16	FY15
Funds from Operations (FFO)	A$m	**1,344.6**	1,339.5	1,290.2	1,237.6	1,199.2
FFO per security	cents	**25.42**	25.24	24.29	23.30	22.58
Distribution per security	cents	**22.60**	22.16	21.73	21.30	20.90
Security price (at 31 December)	A$	**3.83**	3.90	4.19	4.64	4.19
Distribution pay-out ratio	%	**88.9**	87.8	89.5	91.4	92.6
Return on contributed equity (ROCE)	%	**N/A**[i]	12.72	12.28	11.80	11.40
Return on contributed equity (ROCE) (2019 adjusted basis)[i]	%	**12.67**	12.60	12.15	–	–
Comparable net operating income (NOI) growth	%	**2.0**	2.5	2.75	2.9	2.6
Incremental GLA	sqm	**52,000**	106,550	38,000	50,700	42,386
Group's share of incremental GLA	sqm	**26,500**	70,150	35,500	36,450	25,949
Assets under management (AUM)	A$b	**56.0**	54.2	51.0	45.7	42.1
Group's share of AUM	A$b	**38.2**	39.1	36.2	32.3	30.1
Profit	A$m	**1,179.5**	2,287.2	4,217.9	2,990.5	2,707.8
Gearing	%	**33.0**	33.9	32.1	33.3	33.3

[i] The methodology by which contributed equity is adjusted for retained earnings was updated in 2019 to take into account the full amount of retained earnings (the "2019 methodology") . This is explained in more detail in section 11.4(b). In previous periods (2018 and 2017), contributed equity was adjusted for retained earnings after operating and leasing capital expenditure. For comparison purposes, 2018 and 2017 ROCE have been presented on this updated basis (that is contributed equity has been adjusted to take in to account the full amount of retained earnings). 2019 ROCE of 12.67% also reflects the 2019 methodology and is not adjusted for the capital transactions completed during 2019.

(b) STAR and LTAR: Alignment of financial measures

Key financial metrics which are aligned to the STAR and LTAR outcomes for our executive KMP are FFO and ROCE. FFO, and FFO growth per security in particular, is a key financial measure of returns to securityholders.

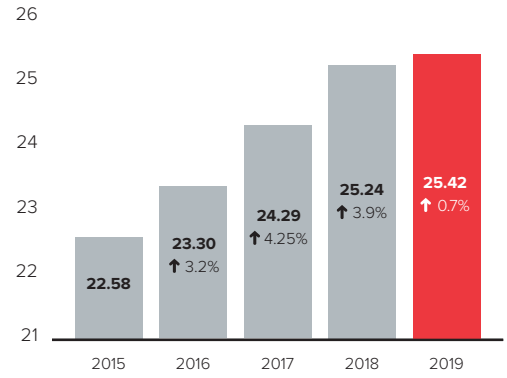
The Group's ROCE is a two-factor measurement and is calculated by applying FFO for the relevant financial year as a percentage of the Group's weighted average contributed equity during the year of calculation. By combining two different performance measures, the ROCE measure is aligned to the level of returns generated on securityholder equity through a combination of improving earnings and capital management. The ROCE hurdle is set based on assumptions for ongoing FFO growth. This results in target ROCE being set higher, year on year.

In August 2017, the Group announced a change to its distribution pay-out ratio to grow distributions at a lower rate than earnings growth. This enabled the Group to invest the additional retained earnings into the business. As a result, from August 2017 ROCE was adjusted for additional retained earnings (by increasing the amount of contributed equity for this purpose).

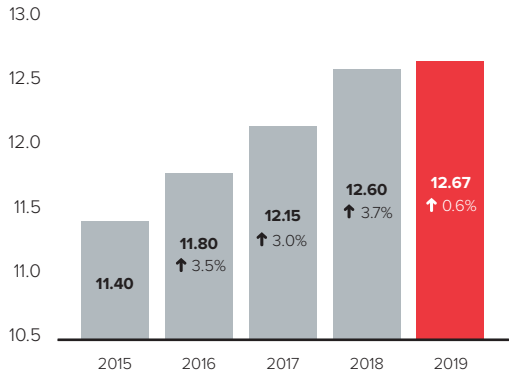
Since announcing the change to the distribution pay-out ratio, the Group has further enhanced the methodology by which contributed equity is adjusted for retained earnings. During the year, the methodology was updated to take into account the full amount of retained earnings. In previous periods (2018 and 2017), contributed equity was adjusted for retained earnings after allowing for operating and leasing capital expenditure.

The charts below show growth in FFO and ROCE for the last 5 years.

Funds From Operations (FFO) % increase per security (cents per security)



Return on Contributed Equity (ROCE) %[(i)]

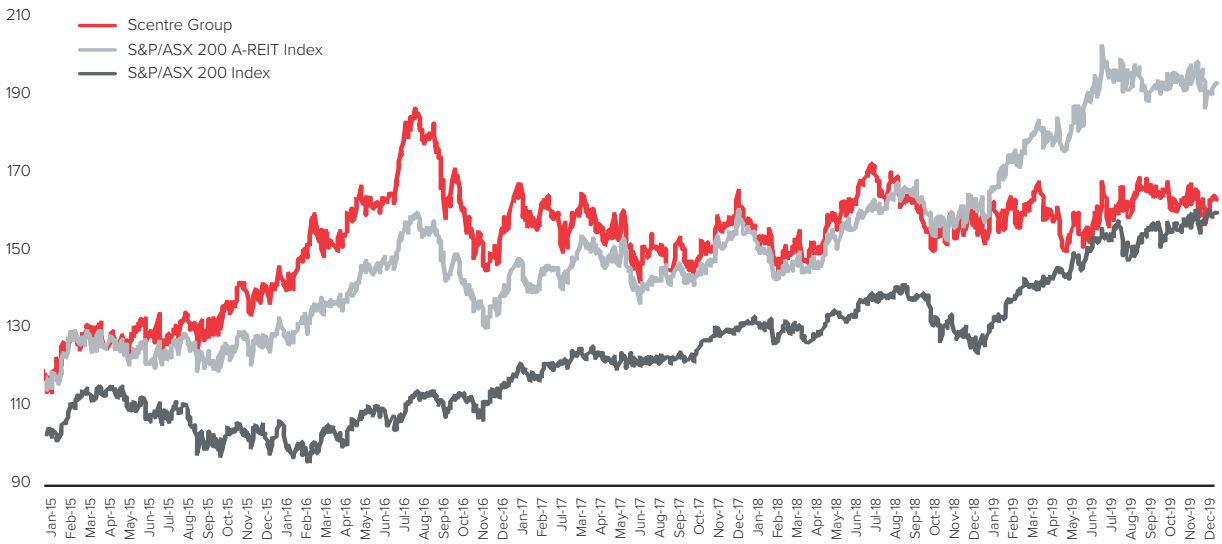


(i) The methodology by which contributed equity is adjusted for retained earnings was updated in 2019 to take into account the full amount of retained earnings (the "2019 methodology") . This is explained in more detail in section 11.4(b). In previous periods (2018 and 2017), contributed equity was adjusted for retained earnings after operating and leasing capital expenditure. For comparison purposes, 2018 and 2017 ROCE have been presented on this updated basis (that is contributed equity has been adjusted to take in to account the full amount of retained earnings). 2019 ROCE of 12.67% also reflects the 2019 methodology and is not adjusted for the capital transactions completed during 2019.

(c) Total returns

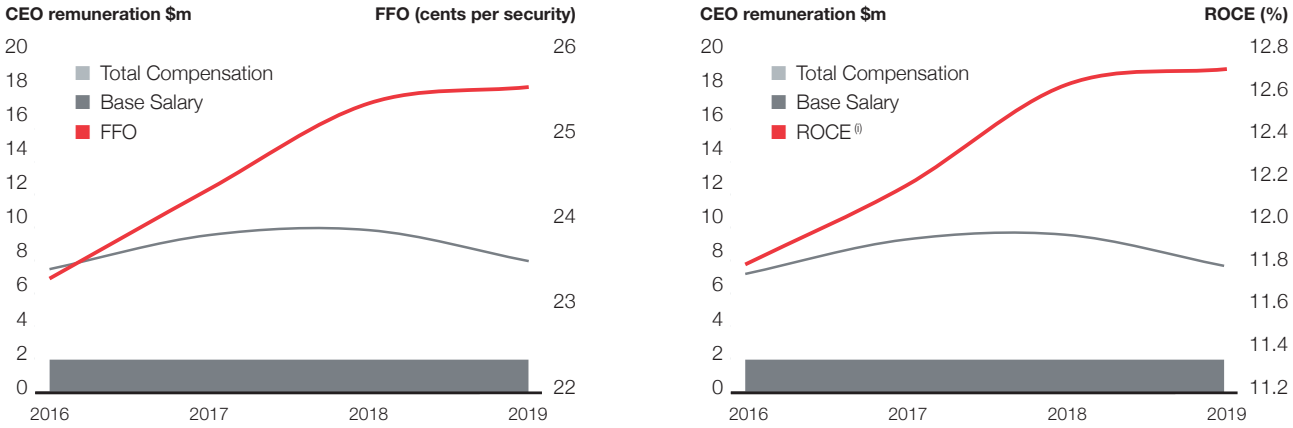
The Group is included in the S&P/ASX A-REIT Index and the S&P/ASX 200 Index.

The chart below shows the Group's relative performance (on a daily basis) against those indices for the last five years. During 2019, the Group's relative performance compared to the S&P/ASX A-REIT Index was impacted by the relative out performance of groups focussed on Industrial and Office asset classes as well as Funds Management focussed members of that Index.



(d) CEO remuneration comparatives

The charts below show our CEO's actual remuneration (non statutory) as compared to FFO (cents per security) and ROCE (%) for the last four years.



(i) The methodology by which contributed equity is adjusted for retained earnings was updated in 2019 to take into account the full amount of retained earnings (the "2019 methodology") . This is explained in more detail in section 11.4(b). In previous periods (2018 and 2017), contributed equity was adjusted for retained earnings after operating and leasing capital expenditure. For comparison purposes, 2018 and 2017 ROCE have been presented on this updated basis (that is contributed equity has been adjusted to take in to account the full amount of retained earnings). 2019 ROCE of 12.67% also reflects the 2019 methodology and is not adjusted for the capital transactions completed during 2019.

(e) CEO: 2019 performance objectives

Details of our CEO's performance measures, assessment and resulting STAR outcomes are set out in the following table. Notwithstanding the overall performance of our CEO, the Board exercised its discretion to moderate further the overall achievement to a level below actual achievement and below 2018.

Measures	Outcomes
Financial performance (i) FFO Project profits Developments Capital management	– Achieved FFO of 25.42 cents per security up 0.7% (or 3.2% excluding the impact of transactions) – Project profits of $57.2 million (after tax) – Divested the Sydney Office Towers for $1.52 billion – Joint ventured a 50% share in Westfield Burwood for $575 million – Acquired a 50% interest in Westfield Booragoon for $570 million – Issued €500 million ($800 million) of long term bonds – Assigned 'A Stable' credit rating by Fitch – Commenced a security buy-back program of up to $800 million, $304 million of securities purchased in 2019 – Opened the NZ$790 million (SCG share: NZ$400 million) redevelopment of Westfield Newmarket, Auckland
Assessment	Majority of objectives achieved

Customer & Retail Partnerships
Advocacy
Innovation
Strategy
	– Increased annual customer visits to over 548 million, an increase of more than 12 million
	– Customer advocacy continues to improve
	  – Net promoter score (derived from all customer feedback) of 35, up 7 points
	  – Reputation score increased by 5.3% (above target of 2.0%)
	– Continued development of the Group's retail partnership strategy
	– Welcomed 344 new brands to the portfolio, while 279 existing brands grew their store network
	– 43% of the portfolio is experience-based offerings
	– More than 12,000 events and activations driving strong visits and engagement
	– Westfield Plus, a mobile-app based membership program launched at Westfield Newmarket with over 200,000 downloads

Assessment	Majority of objectives achieved
Leadership and people Culture and values Diversity Succession planning Risk	– 2019 Employee Engagement at 84% placing us in the top 2% of companies globally – Embedded a fully integrated Diversity & Inclusion program across the organisation – WGEA Employer of Choice for Gender Equality. Women in management is currently at 44% – Included in the Bloomberg Gender-Equality Index, one of only nine companies in Australia – Enhanced our parental leave policy building on our strong focus on 'sharing the caring' – All employees are paid fairly and equitably, without any gender pay gaps for like roles – Focus on a culture of safety and wellbeing with our 'People Protecting People' initiative – Succession planning for key executives
Assessment	Full achievement
Overall achievement	78.2% of maximum (2018: 80.8%). Maximum is 150% of fixed remuneration

(i) Financial performance is assessed as one measure at (65%). Weightings are not given to individual metrics.

(ii) The Net Promoter Score (NPS) is calculated as the difference between the percentage of Promoters and Detractors. The NPS varies between -100% and +100%.

(f) CFO performance objectives

The CFO achieved expectations for all measures including financial measures in relation to FFO and treasury and financial management as well as people and capability, and governance and risk controls. Notwithstanding the overall performance of our CFO, the Board exercised its discretion to moderate further the overall achievement to a level below actual achievement.

(g) 2019 STAR outcomes

The achieved 2019 STAR outcome for the CEO and CFO are as follows.

Executive	Year	STAR maximum $	Achieved STAR $	$ Cash component	Deferred equity $	Achieved STAR (as a % of maximum)	STAR not achieved (as a % of maximum)
Peter Allen	**2019**	**3,000,000**	**2,346,000**	**1,642,000 (70%)**	**704,000 (30%)**	**78.2**	**21.8**
	2018	3,000,000	2,422,500	1,695,750 (70%)	726,750 (30%)	80.8	19.2
Elliott Rusanow [(i)]	**2019**	**1,368,292**	**820,975**	**574,683 (70%)**	**246,292 (30%)**	**60**	**40**

[(i)] Appointed CFO on 4 April 2019. Remuneration reflects Mr Rusanow's period of service as executive KMP.

(h) 2017 LTAR outcomes

Performance rights were granted to executives in 2017 under the Group's 2017 LTAR plan. The first tranche vested in December 2019. The second tranche will vest in December 2020. The 2017 LTAR had two hurdles: ROCE and a development return hurdle both measured at the end of year 3 (2019). The mechanics of the LTAR plan are described in section 11.7.

The grants under the 2017 LTAR were made effective in January 2017, prior to the change in the distribution pay-out ratio described in section 11.4(b). Accordingly the ROCE hurdle for the purposes of the 2017 LTAR was calculated and set without any adjustment to contributed equity for additional retained earnings (which applies to awards from 2018 onwards).

Consequently, the 2017 ROCE target (as measured in 2019 and which is discussed below) for LTAR purposes is calculated on a different basis as to how ROCE is calculated for the 2019 year. As noted in section 11.4(b), in 2019 contributed equity was adjusted to take in to account the full amount of retained earnings. 2019 ROCE of 12.67% is calculated on this updated basis and is not adjusted for the capital transactions completed during 2019.

Adjustment for capital transactions

The LTAR Plan provides the Board with discretion to adjust performance hurdles to reflect the impact of any capital transaction that occurs during the performance measurement period. The Board retains this discretion as, at the time of setting the hurdles, it is not possible to foresee all future transactions that may materially impact the hurdles, either positively or negatively.

During the period following the grant of the 2017 LTARs, the Group divested its interest in the Sydney CBD office towers for $1.52 billion and joint ventured 50% of the Group's interest in Westfield Burwood for $575 million. These transactions had a dilutionary impact on both FFO and ROCE for 2019. The Group also acquired 50% of Westfield Eastgardens in 2018. The Group has yet to fully redeploy the funds raised from the sale transactions which we expect to do progressively, and in a manner that offsets the dilutionary impact on FFO and ROCE.

Having regard to the above matters, the Board determined to adjust the 2017 LTAR ROCE hurdle (measured in 2019). In considering whether to make an adjustment for the transactions, the Board reviewed the benefits to the Group and so to securityholders of implementing the transactions, the reduction in risk on the portfolio through strategic sales and resulting availability of funds to pursue strategic acquisition opportunities such as the acquisition of a 50% interest in Westfield Booragoon and the security buy-back. The Board also considered the importance of encouraging management to pursue initiatives and transactions aligned with our strategic focus and which are expected to yield long-term benefits, despite potential negative short-term financial consequences. As the Westfield Booragoon acquisition occurred in December 2019, it had minimal impact on the ROCE hurdle and its achievement. Accordingly, no adjustment was made in relation to this transaction. The Board obtained external confirmation of management's calculations of the adjustments.

Target ROCE for 2019 under the 2017 LTAR was 13.40% (calculated on the basis applicable to the 2017 LTAR) which, adjusted for the transactions, was reset to 13.04%. ROCE achieved for the purposes of the hurdle (as adjusted for the transactions described above) was 12.84%, which resulted in 90% vesting of the ROCE hurdle (2018: 110%).

Development return hurdle (25% weighting)
The development return hurdle is designed to measure the actual incremental yield that has been generated through the completion of major developments (over $50 million) compared to Board approved feasibilities. The major developments which commenced in 2017 were Westfield Carousel in Perth and Westfield Coomera in Queensland.

The outcome of the 2017 LTAR (measured at the end of 2019) is as follows.

ROCE	Target (100% vesting)	What was achieved	% Vested	% Weighting
	13.04 – 13.13 %	12.84	90	75
Development return hurdle (yield)	**Target**	**What was achieved**	**% Vested**	**% Weighting**
	Aggregated target yield of 7.02%	97.5% of aggregated target yield (6.84%)	90	25

Each of the ROCE and development return hurdle operate on a target and graduated scale of vesting, allowing for increases and decreases, depending on actual performance achieved.

The ROCE hurdle had a cap of 150% vesting (at 13.74% or above). From and including 2019 this cap has been reduced to 125%.

Under the ROCE hurdle, a 0.21% reduction below target ROCE (ROCE of 12.83% – 12.74%) would have resulted in 50% vesting. Any reduction over 0.3% (ROCE of 12.73% or below) would have resulted in zero vesting.

The development return hurdle had a cap of 125% vesting. Vesting increased by 5% for every incremental 0.2% above target yield, with a cap of 125% vesting. Achievement below forecast yield resulted in a reduction of the percentage of vesting with vesting being reduced by 10% for each incremental 0.2% lower than target yield until 85% of the target yield. If the development return had been below 85% of target yield, the level of vesting would have been zero.

(i) 2020 LTAR hurdles
For 2020, the performance hurdles are ROCE (85% weighting) and a development return hurdle (15% weighting).

11.5 Executive KMP 2019 actual remuneration (non-statutory)
The table below sets out the remuneration actually paid to, or vested for, our executive KMP in respect of 2019. It does not include remuneration attributable to 2019 performance which has not vested. Accordingly, the numbers in this table differ from those shown in section 11.6 (executive KMP statutory remuneration) primarily due to differences in the accounting treatment of share-based payments. The table in section 11.6 includes an apportioned accounting value for all unvested at-risk STAR and LTAR rights on issue during the year (some of which remain subject to satisfaction of performance hurdles and service conditions and may not ultimately vest). Further details of the accounting treatment of awards are set out in Note 30 to the financial statements.

While the cash amount received by an executive in any one year may vary above or below statutory remuneration, this does not impact the financial position of the Group as all performance rights are amortised over their life.

The table below shows the market value of the performance rights under the STAR and LTAR plans for rights that vested for the benefit of our executive KMP in 2019, including where awarded in prior periods. The value of the rights increases or decreases depending on movement in the ASX listed security price. Also included is the movement in the market value of these rights since the date of grant.

The table below presents:

– Fixed remuneration.
– Cash STAR: the cash bonus earned and paid in respect of 2019 under the STAR.
– Deferred STAR: the value of the deferred STAR from prior years that vested in 2019 and were satisfied by the delivery of Group securities.
– LTAR: the value of LTARs from prior years that vested in 2019 and satisfied by the delivery of Group securities. For Peter Allen this includes for 2019 the vesting of rights that were granted in 2016 and 2017. As Elliott Rusanow was appointed on 4 April 2019 his first grant of LTARs for 2019 will not vest until 2021.

		Short term benefits			Deferred STAR	LTAR			
	Year	Fixed remuneration[i] $	Cash STAR $	Other short term benefits[ii] $	Market value at grant $	Market value at grant $	Cash value before movement in market value	Movement In market value $	Total cash value $
Executive KMP									
Peter Allen	**2019**	**2,000,000**	**1,642,200**	**25,769**	**881,248**	**3,296,896**	**7,846,113**	**(358,603)**	**7,487,510**
	2018	2,000,000	1,695,750	102,692	795,806	4,138,571[iii]	8,732,819	438,969	9,171,788
Elliott Rusanow[iv]	**2019**	**912,195**	**574,683**	**7,894**	**–**	**–**	**–**	**–**	**1,494,772**

[i] Base salary is inclusive of statutory superannuation benefits.
[ii] Comprising annual leave and long service leave entitlements.
[iii] Includes, for 2018, the vesting of rights that were granted in 2014, 2015 and 2016.
[iv] Appointed CFO on 4 April 2019. Remuneration reflects Mr Rusanow's period of service as executive KMP.

11.6 Executive KMP statutory remuneration

11.6.1 Executive KMP

The table below sets out the 2019 statutory remuneration for our executive KMP. As noted above, this table includes (under share based payments) an apportioned accounting value for all unvested performance rights granted under the STAR and LTAR prior to or in 2019 (some of which remain subject to satisfaction of performance hurdles and service conditions and may not ultimately vest). The apportionment represents the proportion of grants that are attributable to the 2019 financial year. Further details of the accounting treatment of awards are set out in Note 30 to the financial statements.

		Short term benefits			Share based payments[iii]				
	Year	Fixed remuneration[i] $	Cash STAR $	Other short term benefits[ii] $	Cash $	Equity $	Other long term benefits $	Termination Benefits $	Total remuneration $
Executive KMP									
Peter Allen	**2019**	**2,000,000**	**1,642,200**	**25,769**	**–**	**3,489,812[v]**	**–**	**–**	**7,157,781**
	2018	2,000,000	1,695,750	102,692	–	3,937,901	–	–	7,736,343
Elliott Rusanow[iv]	**2019**	**912,195**	**574,683**	**7,894**	**–**	**263,574**	**–**	**–**	**1,758,346**

[i] Fixed remuneration is inclusive of statutory superannuation benefits.

[ii] Comprising annual leave and long service leave entitlements.

[iii] Refer to the tables below for details of rights held by executive KMP under the equity-linked plans.

[iv] Appointed as CFO on 4 April 2019. Remuneration reflects Mr Rusanow's time of service as executive KMP.

[v] Includes apportioned accounting value for unvested LTAR rights granted in 2019.

(a) Participation in the STAR plan: CEO and CFO

The following table details performance rights held by our executive KMP under the STAR plan at balance date. As Elliott Rusanow joined the Group in February 2019 and was appointed CFO on 4 April 2019, his first grant of performance rights in respect of the deferred component of his 2019 STAR will not occur until 2020.

	Effective date of grant	No. Granted	Vesting Date	% Vested	Fair Value at Grant[i] $	Market value as at 31 Dec 2019[ii] $
Executive KMP						
Peter Allen	1 Jan 2017	205,419	16 Dec 2019	100	762,104	N/A[ii]
	1 Jan 2018	201,152	15 Dec 2020	–	742,251	770,412
	1 Jan 2019	210,537	15 Dec 2021	–	722,142	806,357
Total						**1,576,769**

[i] The fair value of the rights granted under the STAR plan is calculated using the Black Scholes option pricing methodology. Fair value is also calculated on the assumption that the executive remains employed with the Group for the full period of vesting.

[ii] The market value as at 31 December 2019 is based on the closing price of Scentre Group securities of $3.83. Market value is not included for rights that vested on 16 December 2019.

(b) Participation in the LTAR plan: CEO and CFO

The following table details performance rights held by our executive KMP under the LTAR plan.

	Effective date of grant	No. Granted	No of rights post measurement of hurdles	Vesting Date	% Vested	Fair Value at Grant[i] $	Market value as at 31 Dec 2019[ii] $
Peter Allen	1 Jan 2016	397,691	437,461[iii]	16 Dec 2019	110[iii]	1,332,265[iii]	N/A[ii]
	1 Jan 2017	389,357	350,421[iv]	16 Dec 2019	90[iv]	1,444,514	N/A[ii]
		406,476	365,828[iv]	15 Dec 2020	–	1,434,860	1,401,121
	1 Jan 2018	418,014	N/A	15 Dec 2020	–	1,542,472	1,600,994
		436,733	N/A	15 Dec 2021	–	1,532,933	1,672,687
	1 Jan 2019	449,029	N/A	15 Dec 2021	–	1,540,169	1,719,781
		470,574	N/A	15 Dec 2022	–	1,529,366	1,802,298
Total							**8,196,881**
Elliott Rusanow	Feb 2019	159,333	N/A	15 Dec 2021	–	546,512	610,245
		166,977	N/A	15 Dec 2022	–	542,675	639,522
Total							**1,249,767**

[i] The fair value of the rights issued under the LTAR plan is calculated using the Black Scholes option pricing methodology. Fair value is also calculated on the assumption that the executive remains employed with the Group for the full period of vesting and that the relevant performance hurdles under the LTAR plan are satisfied.

[ii] The market value as at 31 December 2019 is based on the closing price of Scentre Group securities of $3.83. Market value is not included for rights that vested on 16 December 2019.

[iii] The 2016 LTAR vested at 110% for exceeding both the ROCE hurdle and development return hurdle.

[iv] The 2017 LTAR achieved 90% for each of the ROCE and development return hurdle. The second tranche of the 2017 LTAR will vest in December 2020.

11.6.2 Former Executive KMP

The table below sets out the 2019 statutory remuneration for former executive KMP. Remuneration reflects the individual's time in their respective roles as executive KMP.

Our CEO's KPIs reflect Group objectives and the majority of his KPIs are shared across the senior executive team and executive KMP, which included a former executive KMP. This leads to a degree of variability of outcomes. For 2019, the range for former executive KMP was from 60.4% to 87.9% of maximum STAR.

		Short term benefits			Share based payments[iii]				
	Year	Fixed remuneration[i] $	Cash STAR $	Other short term benefits[ii] $	Cash $	Equity $	Other long term benefits $	Termination Benefits $	Total remuneration $
Executive KMP									
Mark Bloom[iv]	**2019**	**283,287**	**373,424**[iv]	**22,173**	**–**	**959,025**[iv]	**–**	**283,287**	**1,921,196**
	2018	1,100,000	913,500	22,635	–	1,434,232	–	–	3,470,367
Greg Miles[v]	**2019**	**1,187,672**	**872,939**	**13,704**	**–**	**3,557,581**[v]			**5,631,896**
	2018	1,500,000	1,163,750	(21,058)	–	2,013,967	–	–	4,656,659
Cynthia Whelan[vi]	**2019**	**717,261**	**650,268**	**–**	**–**	**–**	**–**	**717,261**[vi]	**2,084,790**

[i] Fixed remuneration is inclusive of statutory superannuation benefits.

[ii] Comprising annual leave and long service leave entitlements.

[iii] Refer to the tables below for details of rights held by former executive KMP under the equity-linked plans.

[iv] Ceased as executive KMP on 4 April 2019 and retired from the Group on 1 January 2020. Payment of 30% of Mr Bloom's 2019 STAR is deferred for 3 years. The amortisation of Mr Bloom's rights has been accelerated to reflect his retirement. Mr Bloom had a potential maximum STAR of $424,931. Mr Bloom achieved a STAR representing 87.9% of maximum STAR, not achieving 12.1% of maximum. All remuneration reflects Mr Bloom's time of service as executive KMP from 1 January 2019 to 4 April 2019.

[v] Ceased as executive KMP on 16 October 2019. Mr Miles remains employed by the Group and he has indicated his intention to retire in October 2020. He will be granted performance rights in the ordinary course of business and it is expected that he will be paid the amounts referred to under "Retirement" in section 11.8. The amortisation of Mr Miles' rights has been accelerated to reflect his retirement. Mr Miles had a potential maximum STAR of $1,781,507. Mr Miles achieved a STAR representing 70% of maximum STAR, not achieving 30% of maximum. All remuneration reflects Mr Miles' time of service as executive KMP from 1 January 2019 to 16 October 2019.

[vi] Executive KMP between 19 February 2019 – 14 October 2019. Termination benefits comprise 1 year's fixed remuneration. Ms Whelan had a potential maximum STAR of $1,075,891. Ms Whelan achieved a STAR representing 60.4% of maximum STAR, not achieving 39.6% of maximum. All remuneration reflects Ms Whelan's time of service as executive KMP from 19 February 2019 to 14 October 2019.

(a) Participation in the STAR plan: Former executive KMP

The following table details performance rights held by former executive KMP under the STAR plan. As Mr Bloom and Mr Miles met the retirement requirements under the Performance Rights Plan (see section 11.8), they will remain in the plan with regard to unvested rights.

	Effective date of grant	No. Granted	Vesting Date	% Vested	Fair Value at Grant[i] $	Market value as at 31 Dec 2019[ii] $
Mark Bloom	1 Jan 2017	105,127	16 Dec 2019	100	390,021	N/A[ii]
	1 Jan 2018	108,515	15 Dec 2020	–	400,420	415,612
	1 Jan 2019	113,416	15 Dec 2021	–	389,017	434,383
Total						**849,995**
Greg Miles	1 Jan 2017	133,925	16 Dec 2019	100	496,862	N/A[ii]
	1 Jan 2018	138,045	15 Dec 2020	–	509,386	528,712
	1 Jan 2019	144,486	15 Dec 2021	–	495,587	553,381
Total						**1,082,093**
Cynthia Whelan	1 Jan 2019	95,600	–[iii]	–	327,908	N/A
Total						**–**

[i] The fair value of the rights issued under the STAR plan is calculated using the Black Scholes option pricing methodology. Fair value is also calculated on the assumption that the executive remains employed with the Group for the full period of vesting.

[ii] The market value as at 31 December 2019 is based on the closing price of Scentre Group securities of $3.83. Market value is not included for rights that vested on 16 December 2019.

[iii] Ms Whelan's rights were forfeited on her departure from the Group. The market value of those rights as at 14 October 2019 was $378,576 based on the closing price of Scentre Group securities of $3.96.

(b) Participation in the LTAR plan: former executive KMP

The following table details performance rights held by former executive KMP under the LTAR plan. As Mr Bloom and Mr Miles met the retirement requirements under the Performance Rights Plan (see section 11.8), they will remain in the plan with regard to their unvested rights.

	Effective date of grant	No. Granted	No of rights post measurement of hurdles	Vesting Date	% Vested	Fair Value at Grant[i] $	Market value as at 31 Dec 2019[ii] $
Mark Bloom	1 Jan 2016	125,199	137,719[iii]	16 Dec 2019	110[iii]	419,417	N/A[ii]
	1 Jan 2017	114,122	102,710[iv]	16 Dec 2019	90[iv]	423,393	N/A[ii]
		119,139	107,225[iv]	15 Dec 2020	–	420,561	410,672
	1 Jan 2018	148,328	N/A	15 Dec 2020	–	547,330	568,096
		154,969	N/A	15 Dec 2021	–	543,941	593,531
	1 Jan 2019	159,333	N/A	15 Dec 2021	–	546,512	610,245
		166,977	N/A	15 Dec 2022	–	542,675	639,522
Total							**2,822,066**
Greg Miles	1 Jan 2015[v]	50,775[vi]	50,775[vi]	16 Dec 2019	N/A	171,112	N/A[ii]
	1 Jan 2016	220,940	243,034[iii]	16 Dec 2019	110[iii]	740,149	N/A[ii]
	1 Jan 2017	201,391	181,253[iv]	16 Dec 2019	90[iv]	747,161	N/A[ii]
		210,246	189,219[iv]	15 Dec 2020	–	742,168	724,709
	1 Jan 2018	242,718	N/A	15 Dec 2020	–	895,629	929,610
		253,586	N/A	15 Dec 2021	–	890,087	971,234
	1 Jan 2019	260,727	N/A	15 Dec 2021	–	894,294	998,584
		273,235	N/A	15 Dec 2022	–	888,014	1,046,490
Total							**4,670,627**
Cynthia Whelan	1 Jan 2018	134,843	N/A	15 Dec 2020	N/A	497,571	–[vii]
		140,882	N/A	15 Dec 2021	N/A	494,496	–[vii]
	1 Jan 2019	159,333	N/A	15 Dec 2021	N/A	546,512	–[vii]
		166,977	N/A	15 Dec 2022	N/A	542,675	–[vii]
Total							

[i] The fair value of the rights issued under the LTAR plan is calculated using the Black Scholes option pricing methodology. Fair value is also calculated on the assumption that the executive remains employed with the Group for the full period of vesting and that the relevant performance hurdles under the LTAR plan are satisfied.

[ii] The market value as at 31 December 2019 is based on the closing price of Scentre Group securities of $3.83. Market value is not included for rights that vested on 16 December 2019.

[iii] The 2016 LTAR vested at 110% for exceeding both the ROCE hurdle and development return hurdle.

[iv] The 2017 LTAR achieved 90% for each of the ROCE and development return hurdle. The second tranche of the 2017 LTAR will vest in December 2020.

[v] Mr Miles held a number of performance rights issued by the former Westfield Group and Westfield Corporation. To the extent that those outstanding rights were not satisfied by Westfield Corporation prior to his return to Australia, Scentre Group assumed the liability of the unvested proportion of those performance rights. These rights were satisfied by the delivery of Scentre Group securities on vesting. The effective grant date of those rights was 1 January 2016. However, the vesting period was assessed by reference to the original grant date of the rights. Vesting was not subject to any specific performance hurdles.

[vi] Represents the proportion of rights the liability of which was assumed by Scentre Group.

[vii] Ms Whelan's rights were forfeited on her departure from the Group. The market value of those rights as at 14 October 2019 was $2,384,059 based on the closing price of Scentre Group's securities of $3.96.

11.7 Remuneration governance framework

Board
Responsible for setting and overseeing the implementation of the remuneration policy

Human Resources Committee

Assists the Board by overseeing human resources policies and remuneration practices to ensure executives are rewarded fairly and responsibly having regard to the performance of Scentre Group.

The Committee is responsible for oversight of, and where appropriate makes recommendations to the Board on:

- Human resources strategies and practices generally, including executive remuneration policies and practices.
- Remuneration packages for the executive KMP. The Committee also reviews the CEO's recommendations on the remuneration packages for the senior executive team.
- The Group's equity linked performance plans.
- Succession planning, capability and talent development for the senior executive team.
- Policies that promote and support equal opportunity, diversity and inclusion within the Group.
- Termination entitlements of executive KMP.
- Fees for non-executive Directors.

The Committee is comprised of 4 independent non-executive Directors: Andrew Harmos (Chairman), Aliza Knox, Margaret Seale and Steven Leigh (appointed effective 1 January 2020).

Management

Makes recommendations to the Committee regarding the Group's remuneration and human resources policies and framework.

External Advisers

The Committee is authorised to utilise the services of specialist human resources and remuneration consultants to provide advice regarding:

- Senior executive remuneration levels.
- Market trends and benchmarking.
- Human resources policies.
- Succession planning.
- Learning and organisational development.

Protocols have also been established for the engagement of remuneration consultants and the provision of remuneration recommendations free of undue influence from management.

During the year the Committee utilised the services of consultants to obtain information on market trends and benchmarking.

(a) Minimum securityholding

Our executive KMP and non-executive Directors are required to maintain a minimum holding of securities.

Executive KMP are required to maintain a minimum holding of securities that is at least a one-time multiple of their fixed remuneration (before tax). New executive KMP have 3 years to meet the requirement from the date of appointment. Performance rights are not included in the calculation of the minimum holding of securities.

To underpin the alignment of Directors and securityholders, non-executive Directors are required to maintain a minimum holding of securities equal to one year's base board fees. Non-executive Directors who were Directors at the date of the introduction of the policy in 2016 had until August 2019 to meet the requirement. New non-executive Directors have 3 years from the date of appointment to meet this requirement.

Details of Directors' security holdings are set out in section 8.2 of the Directors' Report.

(b) Consequence management: Governance

Our Code of Conduct and our DNA guide the way that our employees are expected to conduct themselves on a day to day basis and there are consequences for anyone who fails to meet these standards. Consequences include requirements to undergo further training, formal warnings and termination. In 2019 there were 39 incidents that resulted in formal consequences. In summary:

- for 24 matters, the outcome was termination of employment.
- there was one resignation.
- for 13 matters, 9 written and 4 verbal warnings were issued.
- there is one ongoing investigation.

(c) Performance rights plan: Governance

(i) STAR plan: key elements

Element	Description
What is the purpose of the STAR plan?	The purpose of the STAR plan is to reward executives against the achievement of KPIs. Each executive's KPIs are set annually with the purpose of motivating that executive to achieve performance objectives which will contribute to the short and longer term success of the Group.
Who is eligible to participate in the STAR plan?	The STAR is a broader based plan than the LTAR, with 88 executives participating in the plan. Executive KMP, other members of the senior executive team and high performing executives participate in the STAR plan.
What is the maximum STAR opportunity as a percentage of fixed remuneration?	The maximum STAR opportunity for each executive KMP is 150% of fixed remuneration. Potential maximum STARs will only be awarded in exceptional circumstances where an executive has significantly exceeded their KPIs.
How is the STAR delivered?	For senior executives in the STAR, 70% of the STAR is paid in cash with the balance (30%) delivered as performance rights which are eligible to vest at the end of year 3. There are no additional performance hurdles.
What are the STAR performance measures?	KPIs are established each year under a performance review and development system. KPIs are designed to measure both financial and non-financial performance. The objectives vary according to the role of the executive and typically relate to development, construction, retail management, corporate or strategic targets. Non-financial objectives include measures that underpin the growth and sustainability of our business including our DNA, customer experience, retailer partnerships, community engagement, risk management, safety, diversity and inclusion and organisational capabilities including innovation.
How is performance against KPIs assessed?	The actual STAR awarded to an executive in respect of a financial year is determined by reference to the performance of the executive against the agreed KPIs, the corporate performance of the Group and any other aspect of the executive's performance which is considered relevant in the context of the review.
What are the performance weightings?	Performance weightings for the executive KMP are as follows:

	Financial	Non-financial
CEO	65%	35%
CFO	75%	25%

(ii) LTAR plan: key elements

Element	Description
What is the purpose of the LTAR plan?	The LTAR plan is designed to encourage and reward superior performance by members of the senior executive team emphasising the strategic leadership role of that team. Through the LTAR plan, participants are provided with a benefit aligned with the interests of securityholders. Through a combination of performance hurdles (which are determined annually by the Board) and a 3 – 4 year vesting period, the Group aims to incentivise achievement of targeted objectives and assist in the retention of the executive KMP and other members of the senior executive team for an extended period.
Who is eligible to participate in the LTAR plan?	Only members of the senior executive team participate in the LTAR plan, with 18 executives participating in the plan.
What is the LTAR grant opportunity as a percentage of fixed remuneration?	CEO: 155% CFO: 100%
What were the 2019 LTAR performance hurdles?	For 2019, the performance hurdles were initially determined as a development return hurdle and ROCE, which are described below. In 2019, the proposed redevelopment of Westfield Innaloo was deferred in light of the acquisition of a 50% interest in Westfield Booragoon, its future development potential and realignment of the Group's Perth portfolio. Consequently, no major developments for the purpose of the development return hurdle commenced during the year. In the absence of any major development, the Board reviewed the hurdles and determined that ROCE should be the sole hurdle under the 2019 LTAR with 100% weighting.

What were the 2019 LTAR performance hurdles? (continued)	**Development return hurdle (25% weighting)** The development return hurdle is designed to measure the actual incremental yield that has been generated through the completion of major developments (over $50 million) compared to Board approved feasibilities. Major developments that commenced in the relevant year have Board approved feasibilities including the annual impact of the forecast incremental NOI. The forecast incremental NOI for these projects in the year of measurement will be aggregated and a yield calculated based on the Board approved development cost for the projects. At the end of the year of measurement, the actual incremental NOI from these projects will be aggregated and a yield calculated based on the actual development cost. These two yields will then be compared and, based on a graduated table, the percentage of LTAR that will vest will be calculated. The hurdle will be achieved at 100% if the forecast yield is met. The hurdle allows for incremental increases and decreases depending on actual achieved yield. Achievement below forecast yield will result in a reduction of the percentage of vesting. Vesting will be reduced by 10% for each incremental 0.2% lower than target yield until 85% of the target yield. Where the development return is below 85% of target yield, there will be zero vesting. Vesting will increase by 5% for every incremental 0.2% above target yield, with a cap of 125% vesting.	**ROCE hurdle (75% weighting)** The Group's ROCE is a two-factor measurement and is calculated by applying FFO for the relevant financial year as a percentage of the Group's weighted average contributed equity during the year. By combining two different performance measures, the ROCE calculation is aligned to the level of returns generated on securityholder equity through a combination of improving earnings and capital management. The ROCE hurdle operates on a graduated scale which is approved by the Board prior to awards being granted under the plan. Performance against the ROCE hurdle will be measured by reference to ROCE achieved in year three of the vesting period. Achievement of the ROCE component of the 2019 LTAR will be measured at the end of 2021 and published in the 2021 Annual Report. The Group does not publish details of the ROCE hurdle prior to the year in which it is tested (year 3) as this would result in the disclosure of commercially sensitive information in connection with the Group's forecast of growth in FFO and the amount of contributed equity. The hurdle will be achieved at 100% if the target ROCE is met. Again, the hurdle allows for incremental increases or decreases depending on actual achieved ROCE. Achievement below target ROCE will result in a reduction of the percentage of vesting. A 0.21% reduction below target ROCE will result in 50% vesting with any reduction over 0.3% resulting in zero vesting. A 0.5% increase in ROCE will result in vesting at the cap of 125%.
Did the Board consider any alternative hurdles to ROCE?	Yes. In its review, the Board again considered whether a TSR measure is appropriate for the Group. The Board's view remains that performance hurdles should focus on the fundamentals of the Group's business and linked to factors within the control of the Group and management to deliver. The value of the rights granted under the STAR and LTAR increase or decrease depending on the security price, providing alignment with securityholder returns as do the associated deferral requirements (being a minimum of 3 years) under the STAR and LTAR and the substantial equity holdings which executive KMP are required to maintain.	
What was the level of vesting?	The ROCE hurdle will be measured at the end of year 3 (2021).	
What performance/vesting period applies to the LTAR awards?	The awards issued under the LTAR plan are confirmed at the end of the vesting period in 2 tranches with 50% vesting at the end of year 3 and 50% at the end of year 4.	
How is performance against the LTAR hurdles assessed?	Vesting in relation to a particular hurdle will occur if the measures in relation to that hurdle are achieved. Actual performance against the hurdles which apply determines the final number of awards the executive will receive at the end of the vesting period. If full qualification for awards is not achieved, there is no provision in the plan for re-testing those hurdles in subsequent years.	
Can the LTAR hurdles be adjusted?	Yes. The Board reserves the right to adjust performance hurdles under the LTAR plan to reflect the impact of any capital transaction occurring during the performance period (for example: a significant equity issue, a buy-back of securities, or the sale or joint venture of a material part of the portfolio).	
Will the 2020 LTAR hurdles change from 2019?	The Board has determined to retain the two hurdles for 2020 with the planned commencement of the redevelopment of Westfield Knox in Melbourne and the development at Market Street, Sydney which will expand Westfield Sydney as a world class retail destination and the city's home of luxury. Strategic major developments will continue to be a significant driver of growth for the Group and the Board will continue to review the ongoing appropriateness and weightings of the LTAR measures generally and having regard to the likelihood of fewer major developments in the future. If there are no planned major developments in a year, absent any alternative appropriate measure the Board intends that ROCE should be the sole hurdle under the LTAR with 100% weighting.	

(iii) STAR and LTAR: Deferred equity

The Group's Performance Rights Plan governs the grant of deferred equity under the STAR and LTAR plans. The common features are outlined below.

Element	Description
Are there common rules under the STAR plan and LTAR plan?	Yes. The Group's Performance Rights Plan governs the grants of awards of deferred equity under the STAR plan and the LTAR plan. Having a common set of rules enables the grant of deferred equity under those plans to be administered on a consistent basis across participating executives.
What are the mechanics of the Performance Rights Plan?	Under the Performance Rights Plan, on maturity, the executive is entitled to receive, at the election of Scentre Group and for no further consideration, either: – one Scentre Group security for each performance right; or – a cash payment to the same value. The relevant common features of both plans are as follows: – based on principles and remuneration bands approved by the Board, participating executives earn the opportunity to participate in a plan and are informed of a dollar amount in relation to their participation at the beginning of each financial year in which they are offered participation. – the number of rights to be allocated is determined using the face value of Scentre Group securities, adjusted for the estimated value (based on the Group's published 1-year forecast) of distributions that may be paid on stapled securities during the vesting period. – assuming the executive remains employed by the Group through the vesting period and any applicable performance hurdles are satisfied, the executive will receive either Scentre Group securities or a cash pay-out equal to the capital value of the securities represented by the rights. The maximum level of vesting under the LTAR plan is described in "What were the 2019 LTAR performance hurdles?".
Are distributions paid during the vesting period?	Participants in the Performance Rights Plan only receive distributions on securities following vesting. As noted above, the number of rights to be allocated is determined using the face value of Scentre Group securities, adjusted for the estimated value (based on the Group's published 1-year forecast) of distributions that may be paid on stapled securities during the vesting period. No adjustments are made in relation to actual distributions paid.
How are securities delivered under the STAR and LTAR?	Where rights are settled with securities, the Group settles the rights with securities that have been acquired on-market and transfers the securities to executives.
Is the CEO grant of performance rights subject to securityholder approval?	Yes. Approval for the grant of 2020 performance rights to the CEO will be sought at the AGM on 8 April 2020. As the grant of our CEO's 2019 performance rights under the FY19 LTAR (based on the two hurdles) was approved by securityholders at our 2019 AGM, we will be requesting securityholder approval at our 2020 AGM that the FY19 LTAR hurdles be adjusted to be ROCE (to be measured in 2021) with 100% weighting.
Can retention awards be issued without hurdles?	No. All STARs and LTARs issued by the Group are subject to performance hurdles.
What happens if an executive KMP leaves the Group?	These arrangements are described in section 11.8.
What happens if there is a change of control?	Performance rights do not vest automatically as a consequence of a control transaction or a corporate restructuring. In relation to control transactions, the Board retains the discretion to accelerate the vesting date for rights issued under the plans in such circumstances.
Are there any clawback or malus provisions for at risk remuneration?	The plans contain provisions for the lapsing of unvested rights in several circumstances including if an executive engages in any act or omission constituting serious misconduct or where the Group forms the opinion, based on reasonable grounds, that the executive has committed any fraud, dishonesty or defalcation in relation to the Group.
Are there any other forfeiture events?	Unvested performance rights will also lapse in the event of a participant: – resigning or being terminated for cause; – becoming bankrupt or committing an act of bankruptcy; or – failing to comply with a "Competition and Confidentiality Condition" (being standard confidentiality, non-compete and non-solicitation conditions).
What is the hedging policy?	Participants in the plans are prohibited from entering into hedging arrangements in respect of unvested rights (or rights the subject of a holding lock) in any plan.

11.8 Executive KMP service agreements

The key terms of the service agreements for our executive KMP (and former executive KMP) are summarised below. The service agreement for Peter Allen is a continuing arrangement inherited from the Westfield Group and dates from September 2009. The agreements for each of Mark Bloom and Greg Miles were also on the same basis.

Service Agreement	Term
Contract term	No fixed term
Notice period by employee and employer	Employee: 3 months Employer: 1 month
Details of any post employment restraints	Where permitted by law, the Group imposes a further requirement that, following retirement, the executive complies with certain continuing non-compete obligations which, if not satisfied, will result in forfeiture of all unvested rights

Set out below is a summary of termination payments and treatment of the STAR and LTAR on an executive KMP leaving the Group's employment. These provisions apply to each executive KMP. The provisions of the service agreements are subject to the Corporations Act 2001. In certain circumstances, payment of the entitlements summarised below may require the approval of securityholders.

Event	Termination payment	Treatment of STAR (cash)	Treatment of STAR and LTAR (deferred equity)
Resignation and termination for cause	– Accrued statutory entitlements	– Payment of a pro-rata bonus for the relevant year may be considered in exceptional circumstances	– All unvested entitlements under the Group's performance rights plan are forfeited, without payment, on termination
Redundancy or termination by the Group (other than for cause) These provisions apply to the service agreement for Peter Allen. They also applied to former executive KMP, being Mark Bloom and Greg Miles	– Accrued statutory entitlements – Payment between 12 and 24 months fixed remuneration depending on the length of service of the executive plus one month's salary in lieu of notice	– Pro-rata performance bonus to the date of termination	– Where redundancy or termination occurs more than one year prior to the end of the relevant performance period, a pro-rata vesting applies up to the date of termination. Awards of performance rights which have less than one year to the end of the relevant performance period vest in full (excluding any rights which lapsed because of a failure to satisfy a performance hurdle). Rights that have been granted for less than 6 months lapse
Redundancy or termination by the Group (other than for cause) These provisions apply to the service agreement for Elliott Rusanow. They also applied to a former executive KMP, being Cynthia Whelan	– Accrued statutory entitlements – Payment of a maximum of 12 months fixed remuneration inclusive of one month's salary in lieu of notice	– Pro-rata performance bonus to the date of termination	– Where redundancy or termination occurs more than one year prior to the end of the relevant performance period, a pro-rata vesting applies up to the date of termination. Awards of performance rights which have less than one year to the end of the relevant performance period vest in full (excluding any rights which lapsed because of a failure to satisfy a performance hurdle). Rights that have been granted for less than 6 months lapse
Death or permanent disability	– Accrued statutory entitlements	– Pro-rata performance bonus to the date of termination	– Full vesting of outstanding performance rights (excluding any rights which lapsed because of a failure to satisfy a performance hurdle)
Retirement (provided an executive has reached the age of 55 years or the aggregate of the age of the participant and the number of years in service is equal to or greater than 70 and, in each case, the executive has at least 5 years continuous service)	– Accrued statutory entitlements – The Board retains the discretion to pay up to 12 months fixed remuneration in recognition of past services rendered	– Pro-rata performance bonus to the date of termination	– The executive will continue in the plans until the date of vesting in respect of performance rights granted at least 6 months prior to the date of termination (excluding any rights which lapsed because of a failure to satisfy a performance hurdle) – In circumstances where continued participation in the plan is not permitted under the terms of the plan, the executive is entitled to a cash payment from the Group equivalent to the amount that would have been received had the executive been permitted to continue in the plan

11.9 Non-executive Director fees

The remuneration of the non-executive Directors is determined by the Board (within a total limit set by securityholders) acting on recommendations made by the Human Resources Committee. In making recommendations to the Board, the Human Resources Committee considers independent advice on trends in non-executive director remuneration.

The aggregate pool available for payment of fees to non-executive Directors is currently $3.5 million. At the date of this report, actual aggregate fees are $2,268,250.

Non-executive Director remuneration comprises a base fee (which is inclusive of superannuation guarantee contributions) and where relevant, a Committee fee, with a higher fee for the role of Committee chair. Reimbursement is made for out of pocket expenses. No other bonuses or benefits are paid either during the tenure of a non-executive Director or on retirement. Non-executive Directors do not participate in the Group's STAR or LTAR plans.

Board fees	Chairman	Non-Executive Director
Board	$717,500	$210,125

Committee Fees	Chairman	Committee member
Audit and Risk Committee	$60,000	$40,000
Human Resources Committee	$60,000	$40,000
Nomination Committee	$15,000	$10,000

The base Board fee paid to the Chairman is inclusive of Committee fees. The Chairman is also Chair of the Nomination Committee for which he does not receive a Committee Chair fee. The fees paid to the non-executive Directors for 2019 are set out below.

	Year	Total Fees
Non-executive Director		
Brian Schwartz	**2019**	**717,500**
	2018	717,500
Andrew Harmos	**2019**	**280,125**
	2018	280,125
Michael Ihlein	**2019**	**280,125**
	2018	280,125
Carolyn Kay	**2019**	**250,125**
	2018	250,125
Aliza Knox	**2019**	**245,125**
	2018	240,125
Steven Leigh (appointed 4 April 2019)	**2019**	**156,011**
	2018	–
Steven Lowy (retired 4 April 2019)	**2019**	**54,114**
	2018	210,125
Margaret Seale	**2019**	**285,125**
	2018	280,125

There is no increase to base Board fees for 2020. The fees paid to Committee members (excluding the Chair) of the Human Resources Committee were increased in 2019. The increase of $10,000 is to take effect over a two-year period ($5,000 per year) commencing 1 January 2019 to be commensurate to fees paid to Committee members of the Audit and Risk Committee and reflective of the increasing workload and time commitment required of the Committee. The membership of the Board Committees is described in section 8.3 of the Directors' Report.

12. ASIC DISCLOSURES

Rounding

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly, the amounts shown in the Directors' Report, the Financial Statements and Notes to the Financial Statements have been rounded to the nearest tenth of a million dollars, unless otherwise indicated. Amounts shown as 0.0 represent amounts less than $50,000 that have been rounded down.

Synchronisation of financial year

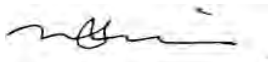
Carindale Property Trust is a consolidated entity of the Company and has a financial year ending on 30 June. By an order dated 27 June 2005 made by the Australian Securities and Investments Commission, the Directors of the Company have been relieved from compliance with the requirement to ensure that the financial year of Carindale Property Trust coincides with the financial year of the Company.

13. ASX LISTING

ASX reserves the right (but without limiting its absolute discretion) to remove Scentre Group Limited, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 from the official list of the ASX if any of the shares or units comprising those stapled securities cease to be stapled together, or any equity securities are issued by a Scentre Group entity which are not stapled to the equivalent securities in the other entities.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Brian Schwartz AM
Chairman



Michael Ihlein
Director

18 February 2020

Independent Auditor's Report

TO THE SHAREHOLDERS OF SCENTRE GROUP LIMITED

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Building a better working world

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Scentre Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 December 2019, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's consolidated financial position as at 31 December 2019 and of its consolidated financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditors Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

Shopping Centre Investment Property Portfolio – Carrying values and revaluations

Why significant	*How our audit addressed the key audit matter*

The Group holds economic interests in shopping centre investment properties which are carried at a fair value of $38.2 billion at 31 December 2019. These include shopping centres recorded directly in the consolidated balance sheet as investment properties and indirectly through equity accounted investments as disclosed in Note 2 of the financial report. Collectively they represent 95% of total assets.
 	
Fair values were determined by the Group at the end of the reporting period with changes in fair value recognised in the income statement.
 	
We considered this to be a key audit matter as property valuations are based on certain assumptions, such as capitalisation rates, market rent, occupancy levels, re-leasing and capital expenditure, which are judgmental in nature. Minor changes in certain assumptions can lead to significant changes in the valuation.
 	
Note 3 of the financial report discloses the sensitivity of these valuations to changes in key assumptions.
 	
Note 3 of the financial report describes the accounting policy for these assets.
	Our audit procedures included the following:
	
	– We assessed the effectiveness of the Group's controls over the leasing process and associated schedule of tenancy reports which are used as source data in the property valuations by testing a sample of the relevant controls.
	
	– We assessed net income, lease expiry and vacancy assumptions adopted in the valuation to the schedule of tenancy reports, lease expiry profile and vacancy levels of the underlying asset in considering the reasonableness of the assumptions adopted in the valuation, including re-leasing and capital expenditure requirement assumptions. Where available we corroborated these assumptions to supporting lease documentation or external market data.
	
	– We involved our real estate valuation specialists to assist with:
	  – the assessment of capitalisation rates adopted across the portfolio; and
	  – the review and assessment of the property valuations for a sample of properties based on size, geographical location and other property valuation specific risk factors.
	
	– Where relevant we assessed the reasonableness of comparable transactions utilised by the Group in the valuation process.
	
	– We assessed the qualifications, competence and objectivity of the external valuers used by the Group.
	
	– We evaluated the suitability of the valuation methodology used across the portfolio and tested the valuation reports for mathematical accuracy.
	
	– We assessed the disclosures included in Note 3 of the financial report.

Property Development and Construction Revenue

Why significant	*How our audit addressed the key audit matter*

The Group recognised $397 million of property development and construction revenue for the year ended 31 December 2019.
 	
As set out in Note 2 of the Financial Report, property development and construction revenue is recognised on a percentage of completion basis as construction progresses. The percentage of completion is determined based on the proportion of contract costs incurred to date and the estimated costs to complete.
 	
Contractual arrangements may give rise to uncertain positions which are factored into the estimated costs to complete and percentage of completion. These arrangements require consideration at each balance sheet date as to the Group's view of the most probable outcome and reliability with which an outcome can be quantified.
 	
The determination of the costs to complete impacts the value and timing of revenue and profit recognised over the life of the project, and it is an estimate that requires significant judgment.
	Our audit procedures included the following:
	
	– We assessed the effectiveness of the Group's controls and processes for accumulating property development and construction costs, for estimating costs to complete of development projects and for revenue recognition.
	
	– We selected a sample of projects based on size and significance and performed the following:
	
	  – Conducted a visit to the project site or reviewed management reporting and held discussions with corporate and development executives to understand the progress of developments, any material scope variations and risks and opportunities against feasibility reports.
	
	  – Where applicable, for new projects, we inspected initial approved project feasibility reports and assessed the assumptions used in forecasting project revenues to development contracts and cost estimates to supplier contracts and cost estimates.
	
	  – Reviewed ongoing project feasibility reports against budget and historical performance to evaluate the reasonableness of changes to feasibility revenue and cost assumptions. Where material changes to revenue and cost assumptions occurred, we agreed changes to contract variations and estimated costs to complete analysis.
	
	  – Assessed the recoverability of project development spend by comparing total project estimated costs to complete against future expected contracted billings.
	
	  – Obtained quantity surveyor reports to benchmark costs to date, percentage completion and costs to complete assumptions. Additionally, we assessed the qualification and competency of the quantity surveyors.
	
	  – Assessed whether inputs to the revenue calculation are appropriate and recalculated the revenue recognised in accordance with the recognition criteria set out in Australian Accounting Standards.
	
	  – Reviewed contract terms in order to understand if there are any specific contractual obligations that would impact revenue recognition under AASB 15 *Revenue from Contracts with Customers*.
	
	  – We also evaluated payments made after the reporting date in order to assess whether costs were accrued in the correct reporting period.

Information other than the Financial Report and Auditor's Report

The Directors are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 31 December 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit of the Group. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

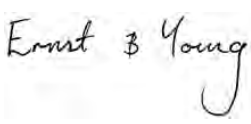
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 21 to 40 of the Directors' Report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Scentre Group Limited for the year ended 31 December 2019, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young

Megan Wilson
Partner

Sydney, 18 February 2020

Liability limited by a scheme approved under Professional Standards Legislation.

Income Statement

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	31 Dec 19 $million	31 Dec 18 $million
Revenue			
Property revenue		**2,160.9**	2,149.2
Property development and construction revenue		**396.8**	429.7
Property management income		**58.7**	56.2
		2,616.4	2,635.1
Expenses			
Property expenses, outgoings and other costs		**(476.3)**	(476.3)
Property development and construction costs		**(315.9)**	(344.4)
Property management costs		**(10.0)**	(10.1)
Overheads		**(88.1)**	(85.9)
		(890.3)	(916.7)
Share of after tax profits of equity accounted entities			
Property revenue		**217.3**	209.2
Property expenses, outgoings and other costs		**(53.5)**	(49.1)
Net interest income		**0.1**	0.1
Property revaluations		**(32.6)**	87.2
Tax expense		**(11.4)**	(12.5)
	5(a)	**119.9**	234.9
Interest income		**4.6**	3.1
Currency gain/(loss)	11	**15.4**	(29.7)
Financing costs	12	**(622.8)**	(685.1)
Gain in respect of capital transactions	13	**120.6**	40.1
Property revaluations		**(119.3)**	1,060.5
Profit before tax		**1,244.5**	2,342.2
Tax expense	6(a)	**(56.9)**	(46.3)
Profit after tax for the period		**1,187.6**	2,295.9
Profit after tax for the period attributable to:			
– Members of Scentre Group		**1,179.5**	2,287.2
– External non controlling interests		**8.1**	8.7
Profit after tax for the period		**1,187.6**	2,295.9

		cents	cents
Basic earnings per stapled security attributable to members of Scentre Group	10(a)	**22.30**	43.10
Diluted earnings per stapled security attributable to members of Scentre Group	10(a)	**22.23**	42.97

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2019

	31 Dec 19 $million	31 Dec 18 $million
Profit after tax for the period	**1,187.6**	2,295.9
Other comprehensive income		
Movement in foreign currency translation reserve [(i)]		
– Realised and unrealised differences on the translation of investment in foreign operations	**3.1**	26.1
– Accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	**–**	(0.7)
Total comprehensive income for the period	**1,190.7**	2,321.3
Total comprehensive income attributable to:		
– Members of Scentre Group [(ii)]	**1,182.6**	2,312.6
– External non controlling interests	**8.1**	8.7
Total comprehensive income for the period	**1,190.7**	2,321.3

(i) This may be subsequently transferred to the profit and loss. In relation to the foreign currency translation reserve, the portion relating to the foreign operations held by SGT1, SGT2 and SGT3 may be transferred to the profit and loss depending on how the foreign operations are sold.

(ii) Total comprehensive income attributable to members of Scentre Group comprises $172.8 million (31 December 2018: $195.0 million) attributable to SGL members and $1,009.8 million (31 December 2018: $2,117.6 million) attributable to SGT1, SGT2 and SGT3 members.

Total comprehensive income attributable to members of SGT1, SGT2 and SGT3 consists of profit after tax for the period of $1,007.0 million (31 December 2018: $2,093.2 million), realised and unrealised differences on the translation of investment in foreign operations of $2.8 million (31 December 2018: $25.1 million) and accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations of nil (31 December 2018: $0.7 million).

Balance Sheet

AS AT 31 DECEMBER 2019

	Note	31 Dec 19 $million	31 Dec 18 $million
Current assets			
Cash and cash equivalents	14(a)	**253.0**	206.1
Trade debtors		**40.0**	36.2
Derivative assets	17(a)	**94.6**	221.6
Receivables		**228.5**	242.9
Other current assets		**62.9**	65.8
Total current assets		**679.0**	772.6
Non current assets			
Investment properties	3	**34,855.3**	36,044.8
Equity accounted investments	5(b)	**3,184.6**	2,966.2
Derivative assets	17(a)	**907.2**	892.2
Plant and equipment		**46.7**	44.6
Deferred tax assets	6(b)	**32.7**	54.8
Right-of-use asset	31(a)	**82.4**	–
Other non current assets		**95.5**	99.8
Total non current assets		**39,204.4**	40,102.4
Total assets		**39,883.4**	40,875.0
Current liabilities			
Trade creditors		**307.6**	327.2
Payables and other creditors		**671.9**	793.2
Interest bearing liabilities	15	**1,713.6**	1,945.0
Tax payable		**8.9**	14.5
Lease liabilities	31(b)	**9.7**	0.5
Derivative liabilities	17(b)	**15.8**	12.3
Total current liabilities		**2,727.5**	3,092.7
Non current liabilities			
Payables and other creditors		**31.7**	27.6
Interest bearing liabilities	15	**12,106.1**	12,657.7
Other financial liabilities	16	**689.0**	696.9
Deferred tax liabilities	6(c)	**104.1**	107.7
Lease liabilities	31(b)	**120.1**	39.9
Derivative liabilities	17(b)	**557.0**	386.7
Total non current liabilities		**13,608.0**	13,916.5
Total liabilities		**16,335.5**	17,009.2
Net assets		**23,547.9**	23,865.8
Equity attributable to members of Scentre Group			
Contributed equity	18(b)	**10,164.0**	10,465.1
Reserves	19	**118.3**	108.7
Retained profits	20	**13,056.3**	13,063.9
Total equity attributable to members of Scentre Group		**23,338.6**	23,637.7
Equity attributable to external non controlling interests			
Contributed equity		**70.3**	75.9
Retained profits		**139.0**	152.2
Total equity attributable to external non controlling interests		**209.3**	228.1
Total equity		**23,547.9**	23,865.8

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2019

	Contributed Equity $million	Reserves $million	Retained Profits $million	31 Dec 19 Total $million	Contributed Equity $million	Reserves $million	Retained Profits $million	31 Dec 18 Total $million
Changes in equity attributable to members of Scentre Group								
Balance at the beginning of the period, as reported	**10,465.1**	**108.7**	**13,063.9**	**23,637.7**	10,495.2	86.6	11,952.1	22,533.9
– Impact of changes in accounting standards [i] [ii]	**–**	**–**	**–**	**–**	–	–	(10.3)	(10.3)
Adjusted balance at the beginning of the period	**10,465.1**	**108.7**	**13,063.9**	**23,637.7**	10,495.2	86.6	11,941.8	22,523.6
– Profit after tax for the period [iii]	**–**	**–**	**1,179.5**	**1,179.5**	–	–	2,287.2	2,287.2
– Other comprehensive income [iii] [iv]	**–**	**3.1**	**–**	**3.1**	–	25.4	–	25.4
Transactions with owners in their capacity as owners								
– Movement in contributed equity [v]	**(301.1)**	**–**	**–**	**(301.1)**	(30.1)	–	–	(30.1)
– Movement in employee share plan benefits reserve	**–**	**6.5**	**–**	**6.5**	–	(3.3)	–	(3.3)
– Dividends/distributions paid or provided for	**–**	**–**	**(1,187.1)**	**(1,187.1)**	–	–	(1,165.1)	(1,165.1)
Closing balance of equity attributable to members of Scentre Group	**10,164.0**	**118.3**	**13,056.3**	**23,338.6**	10,465.1	108.7	13,063.9	23,637.7
Changes in equity attributable to external non controlling interests								
Balance at the beginning of the period	**75.9**	**–**	**152.2**	**228.1**	81.5	–	165.9	247.4
Profit after tax for the period attributable to external non controlling interests [iii]	**–**	**–**	**8.1**	**8.1**	–	–	8.7	8.7
Distributions paid or provided for	**–**	**–**	**(9.9)**	**(9.9)**	–	–	(10.8)	(10.8)
Decrease in external non controlling interest	**(5.6)**	**–**	**(11.4)**	**(17.0)**	(5.6)	–	(11.6)	(17.2)
Closing balance of equity attributable to external non controlling interests	**70.3**	**–**	**139.0**	**209.3**	75.9	–	152.2	228.1
Total equity	**10,234.3**	**118.3**	**13,195.3**	**23,547.9**	10,541.0	108.7	13,216.1	23,865.8

[i] From 1 January 2018, the Group adopted AASB 15 Revenue from Contracts with Customers on a modified retrospective basis. This resulted in a charge of $2.9 million to retained profits as at 1 January 2018, being the cumulative effect on initial application of the standard.

[ii] From 1 January 2018, the Group adopted AASB 9 Financial Instruments. This resulted in a charge of $7.4 million to retained profits as at 1 January 2018, being the cumulative effect on initial application of the standard.

[iii] Total comprehensive income for the period amounts to $1,190.7 million (31 December 2018: $2,321.3 million).

[iv] Movement in reserves attributable to members of SGT1, SGT2 and SGT3 comprises realised and unrealised differences on the translation of investment in foreign operations of $2.8 million (31 December 2018: $25.1 million) and accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations of nil (31 December 2018: $0.7 million).

[v] Movement in contributed equity comprises the buy-back and cancellation of securities and associated costs of $303.6 million (31 December 2018: $30.1 million) offset by the impact of securities transferred to executives and which were previously held by the Scentre Executive Option Plan Trust of $2.5 million (31 December 2018: nil).

Cash Flow Statement

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	31 Dec 19 $million	31 Dec 18 $million
Cash flows from operating activities			
Receipts in the course of operations (including Goods and Services Tax (GST))		**2,931.3**	2,940.8
Payments in the course of operations (including GST)		**(962.2)**	(952.9)
Dividends/distributions received from equity accounted entities		**107.8**	102.3
Net operating cash flows retained by equity accounted entities		**22.6**	23.4
Income and withholding taxes paid		**(41.0)**	(66.6)
GST paid		**(219.8)**	(222.9)
Payments of financing costs (excluding interest capitalised)		**(520.2)**	(504.5)
Interest received		**4.6**	3.1
Net cash flows from operating activities – proportionate [(i)]		**1,323.1**	1,322.7
Less: net operating cash flows retained by equity accounted entities		**(22.6)**	(23.4)
Net cash flows from operating activities	14(b)	**1,300.5**	1,299.3
Cash flows from investing activities			
Capital expenditure		**(335.4)**	(749.0)
Proceeds from the sale of assets		**2,098.5**	90.6
Payments relating to the sale of assets		**(49.9)**	(29.5)
Tax paid on the sale of assets		**(2.8)**	–
Acquisition of investment properties		**(624.8)**	(774.0)
Acquisition of listed securities		**(12.9)**	(15.8)
Net outflows for investments in equity accounted entities		**(216.3)**	(167.3)
Purchase of plant and equipment		**(22.7)**	(27.1)
Financing costs capitalised to qualifying development projects and construction in progress		**(21.6)**	(43.0)
Net cash flows from/(used in) investing activities		**812.1**	(1,715.1)
Cash flows from financing activities			
Buy-back of securities and associated costs		**(303.6)**	(30.1)
Net proceeds from/(repayment of) interest bearing liabilities and lease liabilities	14(c)	**(564.8)**	1,652.7
Dividends/distributions paid		**(1,187.1)**	(1,165.1)
Distributions paid by controlled entities to external non controlling interests		**(10.2)**	(11.8)
Net cash flows from/(used in) financing activities		**(2,065.7)**	445.7
Net increase in cash and cash equivalents held		**46.9**	29.9
Add opening cash and cash equivalents brought forward		**206.1**	174.0
Effects of exchange rate changes on opening cash and cash equivalents brought forward		**–**	2.2
Cash and cash equivalents at the end of the period [(ii)]	14(a)	**253.0**	206.1

(i) Proportionate cash flows from operating activities includes total operating cash flows from consolidated and equity accounted entities.

(ii) Cash and cash equivalents comprises cash of $253.0 million (31 December 2018: $206.1 million) net of bank overdraft of nil (31 December 2018: nil).

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NOTE 1 BASIS OF PREPARATION OF THE FINANCIAL REPORT

(a) Corporate information

This financial report of Scentre Group (Group), comprising Scentre Group Limited (Parent Company) and its controlled entities, for the year ended 31 December 2019 was approved in accordance with a resolution of the Board of Directors of the Parent Company.

The nature of the operations and principal activities of the Group are described in the Directors' Report and 2019 Results Overview.

(b) Accounting for the Group

Scentre Group was established on 30 June 2014 by the stapling of securities of each of the Parent Company, Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2) and Scentre Group Trust 3 (SGT3). The securities trade as one security on the Australian Securities Exchange (ASX) under the code SCG. The stapling transaction is referred to as the "Merger".

As a result of the securities being stapled and therefore cannot be traded separately, this financial report has been prepared based on a business combination of the Parent Company, SGT1, SGT2 and SGT3. The Parent Company for accounting purposes has control of SGT1, SGT2 and SGT3 and accordingly consolidates SGT1, SGT2 and SGT3 and their respective controlled entities.

(c) Statement of Compliance

This financial report complies with Australian Accounting Standards and International Financial Reporting Standards issued by the International Accounting Standards Board. The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following new or amended standards which became applicable on 1 January 2019:

- AASB 16 Leases
- AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures
- AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle
- AASB Interpretation 23 Uncertainty over Income Tax Treatments, and relevant amending standards

For the financial period, the adoption of these amended standards and interpretation has no material impact on the financial statements of the Group.

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 31 December 2019. The impact of these new standards or amendments to the standards (to the extent relevant to the Group) and interpretations is as follows:

- AASB 2018-6 Amendments to Australian Accounting Standards – Definition of a Business (effective from 1 January 2020)
  This amends AASB 3 – Business Combinations to clarify the definition of a business, assisting entities to determine whether a transaction should be accounted for as a business combination or as an asset acquisition. This amendment is not expected to have a significant impact on the financial statements on application.
- AASB 2018-7 Amendments to Australian Accounting Standards – Definition of Material (effective from 1 January 2020)
  This amends AASB 101 Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, to clarify the definition of material and its application by improving the wording and aligning the definition across AASB Standards and other publications. This amendment is not expected to have a significant impact on the financial statements on application.
- AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective from 1 January 2022)
  This amends AASB 10 – Consolidated Financial Statements and AASB 128 – Investments in Associates and Joint Ventures to address an inconsistency between the requirements of AASB 10 and AASB 128 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. This amendment is not expected to have a significant impact on the financial statements on application.

(d) Basis of Accounting

This financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 (Corporations Act), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. This financial report has also been prepared on a historical cost basis, except for investment properties, investment properties within equity accounted investments, derivative financial instruments, financial assets at fair value through profit and loss and other financial liabilities.

This financial report is presented in Australian dollars.

(e) Significant accounting judgements, estimates and assumptions

The preparation of this financial report requires management to make judgements, estimates and assumptions. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements, in particular, Note 2: Segment reporting, Note 3: Investment properties, Note 4: Details of shopping centre investments, Note 28: Fair value of financial assets and liabilities and Note 29: Other significant accounting policies. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the Group's financial results or its financial position in future periods.

(f) Comparative information

Where applicable, certain comparative figures are restated in order to comply with the current period's presentation of the financial statements.

(g) Rounding

In accordance with ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, the amounts shown in this financial report have been rounded to the nearest tenth of a million dollars, unless otherwise indicated. Amounts shown as 0.0 represent amounts less than $50,000 that have been rounded down.

NOTE 2 SEGMENT REPORTING

The Group's operational segments comprise the property investment and property management and construction segments.

(a) Property investments

Property investments segment includes net property income from shopping centres. A geographic analysis of net property investment income is also provided.

(b) Property management and construction

Property management and construction segment includes external fee income from third parties, primarily property management and development fees, and associated business expenses.

The Group's operating segment income and expenses as well as the details of segment assets have been prepared on a proportionate format. The proportionate format presents the net income from and net assets in equity accounted properties on a gross format whereby the underlying components of net income and net assets are disclosed separately as revenues and expenses, assets and liabilities. The Group's liabilities are managed on a consolidated basis rather than by operational segments.

The proportionate format is used by management in assessing and understanding the performance and results of operations of the Group as it allows management to observe and analyse revenue and expense results and trends on a portfolio-wide basis. The assets underlying both the consolidated and the equity accounted components of the statutory income statement are similar (that is, Australian and New Zealand shopping centres), all centres are under common management and therefore the drivers of their results are similar. Accordingly, management considers that the proportionate format provides a more useful way to understand the performance of the portfolio as a whole than the statutory format.

NOTE 2 SEGMENT REPORTING (CONTINUED)

(i) Operating segment information

	Property investment $million	**Property management and construction $million**	**31 Dec 19 $million**	Property investment $million	Property management and construction $million	31 Dec 18 $million
Revenue						
Property revenue	**2,378.2**	**–**	**2,378.2**	2,358.4	–	2,358.4
Property development and construction revenue	**–**	**396.8**	**396.8**	–	429.7	429.7
Property management income	**–**	**58.7**	**58.7**	–	56.2	56.2
	2,378.2	**455.5**	**2,833.7**	2,358.4	485.9	2,844.3
Expenses						
Property expenses, outgoings and other costs	**(529.8)**	**–**	**(529.8)**	(525.4)	–	(525.4)
Property development and construction costs	**–**	**(315.9)**	**(315.9)**	–	(344.4)	(344.4)
Property management costs	**–**	**(10.0)**	**(10.0)**	–	(10.1)	(10.1)
	(529.8)	**(325.9)**	**(855.7)**	(525.4)	(354.5)	(879.9)
Segment income and expenses	**1,848.4**	**129.6**	**1,978.0**	1,833.0	131.4	1,964.4
Shopping centre investments	**37,542.8**	**–**	**37,542.8**	38,351.0	–	38,351.0
Development projects and construction in progress	**629.8**	**–**	**629.8**	750.1	–	750.1
Segment assets [i]	**38,172.6**	**–**	**38,172.6**	39,101.1	–	39,101.1

[i] Includes equity accounted segment assets of $3,317.3 million (31 December 2018: $3,056.3 million).

(ii) Geographic information – Total revenue

	Australia $million	**New Zealand $million**	**31 Dec 19 $million**	Australia $million	New Zealand $million	31 Dec 18 $million
Property revenue [i]	**2,271.7**	**106.5**	**2,378.2**	2,256.7	101.7	2,358.4
Property development and construction revenue [ii]	**158.2**	**238.6**	**396.8**	306.4	123.3	429.7
Property management income	**53.9**	**4.8**	**58.7**	51.8	4.4	56.2
Total revenue	**2,483.8**	**349.9**	**2,833.7**	2,614.9	229.4	2,844.3

[i] Includes recoveries of outgoings from lessees of $293.2 million (31 December 2018: $293.1 million).

[ii] Property development and construction revenue recognised during the year that was included in the contract liability balance (presented in current payables and other creditors on the balance sheet) at the beginning of the year, amounted to $97.0 million (31 December 2018: $83.6 million). No amounts were recognised during the current year that relate to performance obligations satisfied or partially satisfied in previous periods (31 December 2018: nil).

Receivables and contract liabilities from contracts with customers

As at 31 December 2019, receivables from contracts with customers amounted to $47.9 million (31 December 2018: $47.6 million) and contract liabilities from contracts with customers amounted to $56.2 million (31 December 2018: $107.4 million).

Transaction price allocated to the remaining performance obligations

As at 31 December 2019, the aggregate amount of the transaction price allocated to remaining performance obligations is $189.6 million (31 December 2018: $245.3 million). The Group will recognise this as revenue as property development and construction projects are completed, which is expected to occur over the next 6-24 months. These amounts do not include contracts that have an expected duration of one year or less and any portion of the transaction price that is variable and constrained.

(iii) Geographic information – Net property income

	Australia $million	**New Zealand $million**	**31 Dec 19 $million**	Australia $million	New Zealand $million	31 Dec 18 $million
Shopping centre base rent and other property income	**2,347.3**	**108.0**	**2,455.3**	2,323.2	103.0	2,426.2
Amortisation of tenant allowances	**(75.6)**	**(1.5)**	**(77.1)**	(66.5)	(1.3)	(67.8)
Property revenue	**2,271.7**	**106.5**	**2,378.2**	2,256.7	101.7	2,358.4
Property expenses, outgoings and other costs	**(504.2)**	**(25.6)**	**(529.8)**	(503.8)	(21.6)	(525.4)
Net property income	**1,767.5**	**80.9**	**1,848.4**	1,752.9	80.1	1,833.0

(iv) Geographic information – Non current assets

	Australia $million	**New Zealand $million**	**31 Dec 19 $million**	Australia $million	New Zealand $million	31 Dec 18 $million
Non current assets	**36,484.6**	**1,633.8**	**38,118.4**	37,739.0	1,347.5	39,086.5
Group non current assets			**1,086.0**			1,015.9
Total non current assets			**39,204.4**			40,102.4
Additions to segment non current assets during the period			**1,201.6**			1,705.8

NOTE 2 SEGMENT REPORTING (CONTINUED)

(v) Reconciliation of segment information

The Group's operating segment income and expenses as well as the details of segment assets have been prepared on a proportionate format. The composition of the Group's consolidated and equity accounted details are provided below:

	Consolidated $million	**Equity Accounted $million**	**31 Dec 19 $million**	Consolidated $million	Equity Accounted $million	31 Dec 18 $million
Revenue						
Property revenue	**2,160.9**	**217.3**	**2,378.2**	2,149.2	209.2	2,358.4
Property development and construction revenue	**396.8**	**–**	**396.8**	429.7	–	429.7
Property management income	**58.7**	**–**	**58.7**	56.2	–	56.2
	2,616.4	**217.3**	**2,833.7**	2,635.1	209.2	2,844.3
Expenses						
Property expenses, outgoings and other costs	**(476.3)**	**(53.5)**	**(529.8)**	(476.3)	(49.1)	(525.4)
Property development and construction costs	**(315.9)**	**–**	**(315.9)**	(344.4)	–	(344.4)
Property management costs	**(10.0)**	**–**	**(10.0)**	(10.1)	–	(10.1)
	(802.2)	**(53.5)**	**(855.7)**	(830.8)	(49.1)	(879.9)
Segment income and expenses	**1,814.2**	**163.8**	**1,978.0**	1,804.3	160.1	1,964.4
Overheads			**(88.1)**			(85.9)
Interest income			**4.8**			3.3
Currency gain/(loss)			**15.4**			(29.7)
Financing costs			**(622.9)**			(685.2)
Gain in respect of capital transactions			**120.6**			40.1
Property revaluations			**(151.9)**			1,147.7
Tax expense – current			**(67.9)**			(60.6)
Tax benefit/(expense) – deferred			**(0.4)**			1.8
External non controlling interests			**(8.1)**			(8.7)
Net profit attributable to members of the Group [(i)]			**1,179.5**			2,287.2

(i) Net profit attributable to members of the Group was $1,179.5 million (31 December 2018: $2,287.2 million). Net profit after tax for the year which includes profit attributable to external non controlling interests of $8.1 million (31 December 2018: $8.7 million) was $1,187.6 million (31 December 2018: $2,295.9 million).

	Consolidated $million	**Equity Accounted $million**	**31 Dec 19 $million**	Consolidated $million	Equity Accounted $million	31 Dec 18 $million
Shopping centre investments	**34,301.8**	**3,241.0**	**37,542.8**	35,522.6	2,828.4	38,351.0
Development projects and construction in progress	**553.5**	**76.3**	**629.8**	522.2	227.9	750.1
Segment assets	**34,855.3**	**3,317.3**	**38,172.6**	36,044.8	3,056.3	39,101.1
Cash and cash equivalents	**253.0**	**8.0**	**261.0**	206.1	7.8	213.9
Deferred tax assets	**32.7**	**–**	**32.7**	54.8	–	54.8
Receivables on currency derivatives	**677.7**	**–**	**677.7**	920.2	–	920.2
Other assets	**880.1**	**10.8**	**890.9**	682.9	9.4	692.3
Total assets	**36,698.8**	**3,336.1**	**40,034.9**	37,908.8	3,073.5	40,982.3
Interest bearing liabilities						
– Current	**1,713.6**	**–**	**1,713.6**	1,945.0	–	1,945.0
– Non current	**12,106.1**	**–**	**12,106.1**	12,657.7	–	12,657.7
Lease liabilities	**129.8**	**0.4**	**130.2**	40.4	0.4	40.8
Other financial liabilities	**689.0**	**–**	**689.0**	696.9	–	696.9
Deferred tax liabilities	**104.1**	**75.1**	**179.2**	107.7	69.3	177.0
Payables on currency derivatives	**21.3**	**–**	**21.3**	55.7	–	55.7
Other liabilities	**1,571.6**	**76.0**	**1,647.6**	1,505.8	37.6	1,543.4
Total liabilities	**16,335.5**	**151.5**	**16,487.0**	17,009.2	107.3	17,116.5
Net assets	**20,363.3**	**3,184.6**	**23,547.9**	20,899.6	2,966.2	23,865.8

NOTE 2 SEGMENT REPORTING (CONTINUED)

Accounting Policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured.

Leases

Rental income from investment properties is accounted for on a straight-line basis over the lease term. Contingent rental income is recognised as income in the period in which it is earned. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.

Certain tenant allowances that are classified as lease incentives are recorded as part of investment properties and amortised over the term of the lease. The amortisation is recorded against property revenue.

Revenue from contracts with customers

Property development and construction revenue comprises Construction, Design and Development fees earned from Design and Construction Agreements (D&C Agreements) with third parties. The Group accounts for all services provided under the D&C Agreements as a single performance obligation, the services being part of a series of distinct goods and services that are substantially integrated with the same pattern of transfer, and revenue is recognised based on the percentage of completion for that single performance obligation. Percentage of completion is determined based on the proportion of contract costs incurred to date and the estimated contract costs to complete. Accordingly, significant judgments and estimates are made in determining (i) variable consideration which may be included in the transaction price; (ii) costs incurred to date that reflects the Group's progress in satisfying its performance obligations under the contract; and (iii) the total contract costs.

Differences between amounts recognised as revenue and amounts billed to customers are recognised as contract assets or liabilities on the balance sheet. Progress billings to customers include charges for work completed, materials and/or goods delivered (which may include uninstalled materials and/or goods) or expenditure incurred. Amounts billed to customers are usually due within 10 days.

Property management revenue from third parties is recognised as services are provided.

Recoveries of outgoings from lessees are recognised as services are provided.

Revenue from the sale of properties is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.

All other revenues are recognised as services are provided.

Expenses

Costs to obtain or fulfil a contract with customers

The Group recognises as an asset the incremental costs of obtaining a contract with a customer and all costs of fulfilling a contract, if the Group expects to recover those costs. Capitalised costs are amortised, with the expense recognised on a systematic basis that depicts the transfer of goods and services to customers. An impairment loss is recognised if the carrying amount of the asset exceeds the remaining amount of consideration the Group expects to receive less costs that have not yet been recognised as expenses.

All other expenses are brought to account on an accruals basis.

NOTE 3 INVESTMENT PROPERTIES

	31 Dec 19 $million	31 Dec 18 $million
Shopping centre investments	**34,301.8**	35,522.6
Development projects and construction in progress	**553.5**	522.2
Total investment properties	**34,855.3**	36,044.8
Movement in total investment properties		
Balance at the beginning of the year	**36,044.8**	33,493.6
Acquisition of properties	**658.8**	774.0
Disposal of properties [i]	**(1,876.7)**	(5.8)
Capital expenditure	**147.7**	722.5
Net revaluation increment/(decrement)	**(119.3)**	1,060.5
Balance at the end of the year [ii]	**34,855.3**	36,044.8

[i] In June 2019, the Sydney Office Towers and a 50% interest in Westfield Burwood were sold and derecognised from the Group's balance sheet. The sale of the Sydney Office Towers was effected by way of granting a 299-year leasehold interest over the office components located at 100 Market Street, and 77 and 85 Castlereagh Street.

[ii] The fair value of investment properties at the end of the year of $34,855.3 million (31 December 2018: $36,044.8 million) comprises investment properties at market value of $34,809.9 million (31 December 2018: $36,004.4 million) and ground lease assets of $45.4 million (31 December 2018: $40.4 million).

Accounting Policies

Investment properties

The Group's investment properties include shopping centre investments, development projects and construction in progress.

(i) Shopping centre investments

The Group's shopping centre investment properties represent completed centres comprising freehold and leasehold land, buildings and leasehold improvements.

Land and buildings are considered as having the function of an investment and therefore are regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than by the diminution in value of the building content due to effluxion of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Initially, shopping centre investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the Group's portfolio of shopping centre investment properties are stated at fair value. Gains and losses arising from changes in the fair values of shopping centre investment properties are included in the income statement in the year in which they arise. Any gains or losses on the sale of an investment property are recognised in the income statement in the year of sale.

At each reporting date, the carrying value of the portfolio of shopping centre investment properties is assessed by the Directors and where the carrying value differs materially from the Directors' assessment of fair value, an adjustment to the carrying value is recorded as appropriate.

The Directors' assessment of fair value of each shopping centre takes into account the latest independent valuations generally prepared annually, with updates taking into account any changes in capitalisation rate, underlying income and valuations of comparable centres. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value have been used, which are based upon assumptions and judgements in relation to future rental income, capitalisation rate and make reference to market evidence of transaction prices for similar properties.

(ii) Development projects and construction in progress

The Group's development projects and construction in progress include costs incurred for the current and future redevelopment and expansion of new and existing shopping centre investments, and are classified as inventories when intended for sale to third parties. Development projects and construction in progress include capitalised construction and development costs, payments and advances to contractors and where applicable, borrowing costs incurred on qualifying developments.

The Directors' assessment of fair value of each development project and construction in progress that meets the definition of an investment property, takes into account the expected costs to complete, the stage of completion, expected underlying income and yield of the developments. From time to time, during a development, the Directors may commission an independent valuation of the development project. On completion, the development projects are reclassified to shopping centre investments and an independent valuation is obtained.

Independent valuations are conducted in accordance with guidelines set by the International Valuation Standards Council.

It is the Group's policy to appoint a number of qualified independent valuers and that no individual valuer is appointed to appraise an individual property for greater than three consecutive years. The following qualified independent valuers were appointed by the Group to carry out property appraisals for the current financial year:

Australian shopping centres

- CBRE Valuations Pty Limited
- Colliers International Holdings (Australia) Ltd
- Cushman & Wakefield (Valuations) Pty Ltd
- Jones Lang LaSalle Advisory Services Pty Ltd
- Knight Frank Australia Pty Ltd
- Urbis Valuations Pty Ltd
- Savills Valuations Pty Ltd

New Zealand shopping centres

- CBRE Limited
- Colliers International New Zealand Limited
- Jones Lang La Salle Limited

The determination of a property valuation is judgemental. The key assumptions in the valuation are the estimated capitalisation rate and net operating income. Movements in capitalisation rate for each property would result in changes to the fair value. For example, an increase in capitalisation rate would result in a decrease in the fair value of the properties while a decrease in capitalisation rate would result in an increase in the fair value of the properties.

Refer to Note 4 for a summary of the capitalisation rate for the property portfolio.

	31 Dec 19 $million	31 Dec 18 $million
NOTE 4 DETAILS OF SHOPPING CENTRE INVESTMENTS		
Consolidated Australian shopping centres	**34,301.8**	35,522.6
Total consolidated shopping centres	**34,301.8**	35,522.6
Equity accounted Australian shopping centres	**1,572.0**	1,617.5
Equity accounted New Zealand shopping centres	**1,669.0**	1,210.9
Total equity accounted shopping centres	**3,241.0**	2,828.4
	37,542.8	38,351.0

Centres that are held through controlled entities or are held directly and jointly as tenants in common and are treated as joint operations are consolidated. For joint operations, the contractual arrangements establish that the parties share all the liabilities, obligations, costs and expenses in their ownership proportion. The allocation of revenue and expenses is based on the ownership interest in the joint arrangement.

Centres that are held through a separate vehicle with joint control and are treated as a joint venture are accounted for under the equity method of accounting.

	Carrying Amount 31 Dec 19 $million	Retail Capitalisation Rates 31 Dec 19 %	Carrying Amount 31 Dec 18 $million	Retail Capitalisation Rates 31 Dec 18 %
Total Annual Sales >$1 billion	**12,649.4**	**4.12%**	13,777.7	4.12%
Wholly-owned: Bondi Junction, Chermside, Fountain Gate and Sydney [i]				
Total Annual Sales >$500 million <$1 billion	**18,065.3**	**4.81%**	17,575.0	4.85%
Wholly-owned: Belconnen, Carousel, Chatswood, Garden City and Hornsby				
Jointly-owned (50%): Booragoon [ii], Carindale [iii],[iv], Doncaster, Eastgardens, Hurstville, Knox, Liverpool, Marion, Miranda, North Lakes, Parramatta, Penrith, Southland, Tea Tree Plaza and Warringah Mall				
Total Annual Sales <$500 million	**5,159.1**	**5.36%**	5,787.4	5.39%
Wholly-owned: Kotara, Innaloo and Tuggerah				
Jointly-owned (50%): Airport West, Burwood[v], Coomera, Geelong, Helensvale, Mt Druitt[iv], Plenty Valley, West Lakes, Whitford City and Woden				
Total Australian portfolio	**35,873.8**	**4.67%** [vii]	37,140.1	4.71% [vii]
New Zealand	**NZ$1,739.6**	**5.92%**	NZ$1,268.3	6.24%
Jointly-owned (51%): Albany, Manukau, Newmarket[vi], Riccarton and St Lukes				
Total New Zealand portfolio	**NZ$1,739.6**	**5.92%** [vii]	NZ$1,268.3	6.24% [vii]
Exchange rate	**1.0423**		1.0474	
Total New Zealand portfolio in A$	**1,669.0**		1,210.9	
Total portfolio in A$	**37,542.8**	**4.72%** [vii]	38,351.0	4.76% [vii]

Ownership interest shown above applies as at 31 December 2019 and 31 December 2018, unless otherwise stated.

[i] As at 31 December 2019, Sydney comprises Sydney Central Plaza and the Sydney City Retail Centre. The Group sold its interest in the Sydney Office Towers on 27 June 2019. As at 31 December 2018, Sydney comprised Sydney Central Plaza, the Sydney City Retail Centre and Office Towers.

[ii] The Group acquired a 50% interest in Booragoon in December 2019.

[iii] Carindale Property Trust (CDP) has a 50% interest in this shopping centre. As at 31 December 2019, the Group has a 62.58% interest in CDP (31 December 2018: 59.6%).

[iv] Property currently under redevelopment.

[v] In June 2019, the Group sold 50% of its interest in Westfield Burwood. The Group had 100% interest in this centre as at 31 December 2018.

[vi] Development completed during the year.

[vii] Weighted average capitalisation rate including non-retail assets.

	31 Dec 19 $million	31 Dec 18 $million

NOTE 5 DETAILS OF EQUITY ACCOUNTED INVESTMENTS

(a) Share of equity accounted entities' net profit and comprehensive income

Share of after tax profit of equity accounted entities	**119.9**	234.9
Other comprehensive income [i]	**3.0**	27.1
Share of total comprehensive income of equity accounted entities	**122.9**	262.0

[i] Relates to the net exchange difference on translation of equity accounted foreign operations.

(b) Share of equity accounted entities' assets and liabilities

The Group's equity accounted investments of $3,184.6 million (31 December 2018: $2,966.2 million) comprise investments in joint ventures in Australia and New Zealand represented by equity of $2,159.8 million (31 December 2018: $2,165.0 million) and interest bearing loans of $1,024.8 million (31 December 2018: $801.2 million). Inter-entity interest charges on the loans amounted to $28.5 million (31 December 2018: $24.0 million).

(c) Equity accounted entities economic interest

			Economic interest	
Name of investments	Type of equity	Balance date	**31 Dec 19**	31 Dec 18
Australian investments [i]				
Mt Druitt [ii]	Trust units	30 Jun	**50.0%**	50.0%
Southland [ii]	Trust units	30 Jun	**50.0%**	50.0%
Tea Tree Plaza [ii]	Trust units	30 Jun	**50.0%**	50.0%
New Zealand investments [i] [iii]				
Albany	Shares	31 Dec	**51.0%**	51.0%
Manukau	Shares	31 Dec	**51.0%**	51.0%
Newmarket	Shares	31 Dec	**51.0%**	51.0%
Riccarton	Shares	31 Dec	**51.0%**	51.0%
St Lukes	Shares	31 Dec	**51.0%**	51.0%

[i] All equity accounted property partnerships, trusts and companies operate solely as retail property investors.

[ii] Notwithstanding that the financial year of these investments ends on 30 June, the consolidated financial statements have been prepared so as to include the accounts for a period coinciding with the financial year of the Parent Company being 31 December.

[iii] Under the Shareholders' Agreement, the Group and GIC, Singapore's sovereign wealth fund, each has two representatives in the Shareholders' Committee with voting power in proportion to each shareholder's shareholding. While the Group has a 51% interest in these entities, 75% of the votes is required to pass a resolution. Accordingly, the Group's 51% interest in these investments is accounted for using the equity accounted method.

	31 Dec 19 $million	31 Dec 18 $million

NOTE 6 TAXATION

(a) Tax expense

Current tax expense – underlying operations	**(62.0)**	(51.0)
Deferred tax benefit	**5.1**	4.7
	(56.9)	(46.3)
The prima facie tax on profit before tax is reconciled to the income tax expense provided in the financial statements as follows:		
Profit before income tax	**1,244.5**	2,342.2
Less: Trust income not taxable for the Group – tax payable by members	**(1,183.3)**	(2,204.6)
	61.2	137.6
Prima facie tax expense at 30%	**(18.4)**	(41.3)
Benefit from utilisation of capital losses from prior years	**–**	24.5
Tax on inter-entity transactions	**(38.1)**	(32.8)
Other	**(0.4)**	3.3
Tax expense	**(56.9)**	(46.3)

(b) Deferred tax assets

Provisions and accruals	**32.7**	54.8
	32.7	54.8

(c) Deferred tax liabilities

Tax effect of book value in excess of the tax cost base of investment properties	**41.5**	44.1
Other timing differences	**62.6**	63.6
	104.1	107.7

NOTE 6 TAXATION (CONTINUED)

Accounting Policies

Taxation

The Group comprises taxable and non taxable entities. Income tax expense is only recognised in respect of taxable entities.

(i) Taxable and non taxable entities of the Group

The Parent Company and its Australian resident wholly owned subsidiaries have formed a tax consolidated group. The Parent Company has entered into tax funding arrangements with its Australian resident wholly owned subsidiaries, pursuant to which each subsidiary has agreed to pay or receive a tax equivalent amount based on the net taxable amount or loss of the subsidiary at the current tax rate. The tax consolidated group has applied the modified separate taxpayer approach in determining the appropriate amount of current taxes to allocate to each entity.

SGT1 and SGT2 have elected into the Attribution Managed Investment Trust Regime. Accordingly, the Trusts are not liable for Australian income tax provided that the taxable income of each Trust is attributed to members. The members of each Trust are taxable on the share of the taxable income of each Trust attributed to them.

SGT3 is treated as a company for Australian tax purposes and accordingly is a taxable entity.

The Group's New Zealand resident entities are subject to New Zealand tax.

(ii) Accounting for income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, calculated using the tax rates and tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity and not the income statement.

	Note	**31 Dec 19 $million**	31 Dec 18 $million
NOTE 7 SIGNIFICANT ITEMS			
The following significant items are relevant in explaining the financial performance of the business:			
Property revaluations		**(119.3)**	1,060.5
Equity accounted property revaluations		**(32.6)**	87.2
Net fair value gain/(loss) and associated credit risk on currency derivatives that do not qualify for hedge accounting	11	**15.4**	(30.4)
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	11	**–**	0.7
Net fair value loss on interest rate hedges that do not qualify for hedge accounting	12	**(84.3)**	(133.6)
Net fair value gain/(loss) on other financial liabilities	12	**7.9**	(23.2)
Net modification gain on refinanced borrowing facilities	12	**2.8**	9.9
Gain in respect of capital transactions	13	**120.6**	40.1
Deferred tax benefit	6(a)	**5.1**	4.7
Equity accounted deferred tax expense		**(5.5)**	(2.9)

NOTE 8 DIVIDENDS/DISTRIBUTIONS

(a) Final dividends/distributions for the year

Dividends/distributions in respect of the 6 months to 31 December 2019		
Parent Company: nil (31 December 2018: 2.96 cents per share)[i]	**–**	157.0
SGT1: 6.85 cents per unit (31 December 2018: 3.40 cents per unit)	**358.3**	180.3
SGT2: 4.45 cents per unit (31 December 2018: 4.60 cents per unit)	**232.7**	244.0
SGT3: nil (31 December 2018: 0.12 cents per unit)[i]	**–**	6.4
Scentre Group 11.30 cents per stapled security (31 December 2018: 11.08 cents per stapled security)	**591.0**	587.7

[i] Dividends paid by the Parent Company and distributions paid by SGT3 are franked at the corporate tax rate of 30%.

Interim dividends/distributions of 11.30 cents were paid on 30 August 2019. Final dividends/distributions will be paid on 28 February 2020. The record date for the final dividends/distributions was 5pm, 14 February 2020. The Group does not operate a Distribution Reinvestment Plan.

NOTE 8 DIVIDENDS/DISTRIBUTIONS (CONTINUED)

	31 Dec 19 $million	31 Dec 18 $million
(b) Dividends/distributions paid during the year		
Dividends/distributions in respect of the 6 months to 30 June 2019		
Parent Company: nil (30 June 2018: nil)	**–**	–
SGT1: 5.70 cents per unit (30 June 2018: 3.34 cents per unit)	**302.4**	177.2
SGT2: 5.60 cents per unit (30 June 2018: 7.74 cents per unit)	**297.0**	410.5
SGT3: nil (30 June 2018: nil)	**–**	–
Dividends/distributions in respect of the 6 months to 31 December 2018		
Parent Company: 2.96 cents per share (31 December 2017: 2.35 cents per share)[(i)]	**157.0**	124.8
SGT1: 3.40 cents per unit (31 December 2017: 2.60 cents per unit)	**180.3**	138.1
SGT2: 4.60 cents per unit (31 December 2017: 5.92 cents per unit)	**244.0**	314.5
SGT3: 0.12 cents per unit (31 December 2017: nil)[(i)]	**6.4**	–
	1,187.1	1,165.1

(i) Dividends paid by the Parent Company and distributions paid by SGT3 are franked at the corporate tax rate of 30%.

(c) Franking credit balance of the Group

As at 31 December 2019, franking credits available for use in future dividends/distributions amount to $109.7 million (31 December 2018: $113.3 million).

	31 Dec 19 $	31 Dec 18 $
NOTE 9 NET TANGIBLE ASSET BACKING		
Net tangible asset backing per security	**4.46**	4.46

Net tangible asset backing per security is calculated by dividing net assets (including the right-of-use asset) attributable to members of the Group of $23,338.6 million (31 December 2018: $23,637.7 million) by the number of securities on issue at 31 December 2019 of 5,229,975,362 (31 December 2018: 5,304,295,769).

	31 Dec 19 cents	31 Dec 18 cents
NOTE 10 STATUTORY EARNINGS PER SECURITY		
(a) Summary of earnings per security		
Basic earnings per stapled security attributable to members of Scentre Group	**22.30**	43.10
Diluted earnings per stapled security attributable to members of Scentre Group	**22.23**	42.97
Basic earnings per SGL share	**3.26**	3.66
Diluted earnings per SGL share	**3.25**	3.64

(b) Income and security data

The following reflects the income data used in the calculations of basic and diluted earnings per stapled security:

	31 Dec 19 $million	31 Dec 18 $million
Earnings used in calculating basic earnings per stapled security[(i)(ii)]	**1,179.5**	2,287.2
Adjustment to earnings on employee performance rights which are considered dilutive	**–**	–
Earnings used in calculating diluted earnings per stapled security	**1,179.5**	2,287.2

(i) Refer to the income statement for details of the profit after tax attributable to members of the Group.

(ii) Comprises net profit attributable to SGL of $172.5 million (31 December 2018: $194.0 million) and net profit attributable to members of SGT1, SGT2 and SGT3 of $1,007.0 million (31 December 2018: $2,093.2 million).

	31 Dec 19 $million	31 Dec 18 $million
Earnings used in calculating basic earnings per SGL share	**172.5**	194.0
Adjustment to earnings on employee performance rights which are considered dilutive	**–**	–
Earnings used in calculating diluted earnings per SGL share	**172.5**	194.0

NOTE 10 STATUTORY EARNINGS PER SECURITY (CONTINUED)

(b) Income and security data (continued)

The following reflects the security data used in the calculations of basic and diluted earnings per stapled security:

	31 Dec 19 Number of securities	31 Dec 18 Number of securities
Weighted average number of ordinary securities used in calculating basic earnings per stapled security	**5,289,057,510**	5,307,143,233
Weighted average number of potential employee performance rights which, if securities were issued, would be dilutive [i]	**16,098,179**	15,960,855
Adjusted weighted average number of ordinary securities used in calculating diluted earnings per stapled security	**5,305,155,689**	5,323,104,088

[i] As at 31 December 2019, 10,993,066 (31 December 2018: 10,973,955) actual employee performance rights are outstanding.

(c) Conversions, calls, subscription, issues or buy-back after 31 December 2019

There have been no conversions to, calls of, subscriptions for, issuance of new or potential ordinary securities or buy-back of securities since the reporting date and before the completion of this report.

Accounting Policies

Earnings per security

Basic earnings per security is calculated as net profit attributable to members divided by the weighted average number of ordinary securities. Diluted earnings per security is calculated as net profit attributable to members adjusted for any profit recognised in the period in relation to dilutive potential ordinary securities, divided by the weighted average number of ordinary securities and dilutive potential ordinary securities.

	31 Dec 19 $million	31 Dec 18 $million

NOTE 11 CURRENCY GAIN / (LOSS)

Net fair value gain/(loss) and associated credit risk on currency derivatives that do not qualify for hedge accounting	**15.4**	(30.4)
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	**–**	0.7
	15.4	(29.7)

Accounting Policies

Translation of foreign currency transactions

Foreign currency transactions are converted to Australian dollars at exchange rates ruling at the date of those transactions. Amounts payable and receivable in foreign currency at balance date are translated to Australian dollars at exchange rates ruling at that date. Exchange differences arising on the settlement of or on translating amounts payable or receivable in foreign currency at rates different from those at which they were translated on initial recognition, are recognised in the income statement in the period in which they arise, except where hedge accounting is applied.

Refer to Notes 17 and 19 for other items included in currency gain/(loss).

	31 Dec 19 $million	31 Dec 18 $million

NOTE 12 FINANCING COSTS

Gross financing costs (excluding net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting)	**(531.8)**	(543.3)
Financing costs capitalised to qualifying development projects and construction in progress	**21.6**	43.0
Interest expense on other financial liabilities	**(34.5)**	(35.6)
Lease liabilities interest expense	**(4.5)**	(2.3)
Financing costs	**(549.2)**	(538.2)
Net fair value loss on interest rate hedges that do not qualify for hedge accounting	**(84.3)**	(133.6)
Net fair value gain/(loss) on other financial liabilities	**7.9**	(23.2)
Net modification gain on refinanced borrowing facilities	**2.8**	9.9
	(622.8)	(685.1)

Accounting Policies

Financing costs

Financing costs include interest, amortisation of discounts or premiums relating to borrowings and other costs incurred in connection with the arrangement of borrowings. Financing costs are expensed as incurred unless they relate to a qualifying asset. A qualifying asset is an asset which generally takes more than 12 months to get ready for its intended use or sale. In these circumstances, the financing costs are capitalised to the cost of the asset. Where funds are borrowed by the Group for the acquisition or construction of a qualifying asset, the financing costs are capitalised.

Refer to Note 17 for other items included in financing costs.

	31 Dec 19 $million	31 Dec 18 $million

NOTE 13 GAIN IN RESPECT OF CAPITAL TRANSACTIONS

Asset sales and capital costs		
– proceeds from asset sales	**2,098.5**	90.6
– less: carrying value of assets sold and other capital costs	**(1,977.9)**	(50.5)
Gain in respect of capital transactions	**120.6**	40.1

NOTE 14 CASH AND CASH EQUIVALENTS

(a) Components of cash and cash equivalents		
Cash	**253.0**	206.1
Bank overdrafts	**–**	–
Total cash and cash equivalents	**253.0**	206.1
(b) Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	**1,187.6**	2,295.9
Property revaluations	**119.3**	(1,060.5)
Share of equity accounted profit in excess of dividends/distributions received	**(12.1)**	(132.6)
Deferred tax benefit	**(5.1)**	(4.7)
Net fair value loss/(gain) and associated credit risk on currency derivatives	**(15.4)**	30.4
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	**–**	(0.7)
Net fair value loss on interest rate hedges that do not qualify for hedge accounting	**84.3**	133.6
Net fair value loss/(gain) on other financial liabilities	**(7.9)**	23.2
Net modification gain on refinanced borrowing facilities	**(2.8)**	(9.9)
Gain in respect of capital transactions	**(120.6)**	(40.1)
Decrease in working capital attributable to operating activities	**73.2**	64.7
Net cash flows from operating activities	**1,300.5**	1,299.3
(c) Changes in net debt arising from financing activities		
Net debt at the beginning of the year	**13,778.6**	12,070.1
Net proceeds from/(repayment of) interest bearing liabilities and lease liabilities	**(564.8)**	1,652.7
Addition of leases	**94.4**	–
Effects of exchange rate changes and fair value loss/(gain) on currency derivatives	**(15.1)**	55.8
Net debt at the end of the year [(i)]	**13,293.1**	13,778.6

[(i)] Net debt comprises total interest bearing liabilities of $13,819.7 million (31 December 2018: $14,602.7 million) and lease liabilities of $129.8 million (31 December 2018: $40.4 million) less net receivables on currency derivatives hedging borrowings in foreign currency of $656.4 million (31 December 2018: $864.5 million).

Accounting Policies

Cash and cash equivalents

Cash and cash equivalents on the balance sheet comprise cash at bank and on hand and short term deposits with an original maturity of 90 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses (if any) are recognised in the income statement.

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and at bank, short term money market deposits and bank accepted bills of exchange readily converted to cash net of bank overdrafts. Bank overdrafts are carried at the principal amount.

	31 Dec 19 $million	31 Dec 18 $million
NOTE 15 INTEREST BEARING LIABILITIES		
Current		
Unsecured		
Commercial paper and uncommitted facilities		
– A$ denominated	**754.7**	729.9
Notes payable		
– € denominated	**958.9**	–
– US$ denominated	**–**	1,064.7
– A$ denominated	**–**	150.4
	1,713.6	1,945.0
Non current		
Unsecured		
Bank loans		
– A$ denominated	**1,735.0**	2,350.0
– NZ$ denominated	**986.3**	771.0
Notes payable		
– € denominated	**4,183.3**	4,430.8
– US$ denominated	**2,993.2**	2,981.3
– £ denominated	**1,512.3**	1,448.2
– A$ denominated	**430.5**	430.6
Secured		
Bank loans and mortgages		
– A$ denominated	**265.5**	245.8
	12,106.1	12,657.7
Total interest bearing liabilities	**13,819.7**	14,602.7

The Group maintains a range of interest bearing liabilities. The sources of funding are spread over various counterparties to minimise credit risk and the terms of the instruments are negotiated to achieve a balance between capital availability and the cost of debt. Refer to Note 23 for details relating to fixed rate debt and derivatives which hedge floating rate liabilities.

The Group consolidates Carindale Property Trust and the borrowings in this trust are secured by a mortgage over the trust's interest in Westfield Carindale and sundry property. The recorded fair value of Westfield Carindale and sundry property is $853.3 million (31 December 2018: $828.5 million) compared to borrowings of $265.5 million (31 December 2018: $245.8 million).

	31 Dec 19 $million	31 Dec 18 $million
(a) Summary of financing facilities		
Committed financing facilities available to the Group:		
Total financing facilities	**15,428.2**	16,516.0
Total interest bearing liabilities	**(13,819.7)**	(14,602.7)
Total bank guarantees	**(55.6)**	(59.1)
Available financing facilities	**1,552.9**	1,854.2
Cash	**253.0**	206.1
Financing resources available	**1,805.9**	2,060.3

These facilities comprise fixed rate notes and both secured and unsecured interest only floating rate facilities. Certain facilities are also subject to negative pledge arrangements which require the Group to comply with specific minimum financial and non-financial requirements. These facilities exclude the property linked notes liability of $689.0 million (31 December 2018: $696.9 million). Amounts which are denominated in foreign currencies are translated at exchange rates ruling at balance date.

NOTE 15 INTEREST BEARING LIABILITIES (CONTINUED)

	Maturity Date	**Committed financing facilities 31 Dec 19 $million**	**Total interest bearing liabilities 31 Dec 19 $million**	Committed financing facilities 31 Dec 18 $million	Total interest bearing liabilities 31 Dec 18 $million
(b) Total financing facilities and interest bearing liabilities are comprised of:					
Unsecured notes payable – € [i]	Jul 20 to Mar 29	**5,142.2**	**5,142.2**	4,430.8	4,430.8
Unsecured notes payable – US$ [i]	Apr 21 to Mar 27	**2,993.2**	**2,993.2**	4,046.0	4,046.0
Unsecured notes payable – £ [i]	Apr 22 to Jul 26	**1,512.3**	**1,512.3**	1,448.2	1,448.2
Unsecured notes payable – A$	Sep 21 to Jul 22	**430.5**	**430.5**	581.0	581.0
Unsecured bank loan facilities	Jan 21 to Sep 25	**5,050.0**	**2,721.3**	5,750.0	3,121.0
Unsecured commercial paper and uncommitted facilities [ii]		**–**	**754.7**	–	729.9
Secured bank loans and mortgages	Feb 23	**300.0**	**265.5**	260.0	245.8
		15,428.2	**13,819.7**	16,516.0	14,602.7

[i] The €, US$ and £ denominated notes payables are economically hedged using cross currency swaps with the same principal values to convert into A$ payables.

[ii] Drawings on the Group's commercial paper program and uncommitted facilities are in addition to the Group's committed facilities and are classified as current interest bearing liabilities. These drawings may be refinanced by non current unsecured bank loan facilities.

Accounting Policies

Interest bearing liabilities

Interest bearing liabilities are recognised initially at the fair value of the consideration received less any directly attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are recorded at amortised cost using the effective interest rate method.

Interest bearing liabilities are classified as current liabilities where the liability has been drawn under a financing facility which expires within one year. Amounts drawn under financing facilities which expire after one year are classified as non current, where the Group has an unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

Financing costs for interest bearing liabilities are recognised on an accruals basis.

The fair values of the Group's interest bearing liabilities as disclosed in Note 28 are determined as follows:

– Fair values of quoted notes and bonds are based on price quotations at the reporting date.

– The fair values of unquoted instruments, loans from banks and other non current financial liabilities are estimated by discounting future cash flows using rates that approximate the Group's borrowing rate at the balance date, for debt with similar maturity, credit risk and terms.

NOTE 16 OTHER FINANCIAL LIABILITIES

	31 Dec 19 $million	31 Dec 18 $million
Property linked notes	**689.0**	696.9
	689.0	696.9

The Property Linked Notes (Notes) are designed to provide returns based on the economic performance of certain Westfield Australian super regional and regional shopping centres. When the Notes were originally issued, these centres were: Parramatta, Hornsby and Burwood in Sydney, Southland in Melbourne, Tea Tree Plaza in Adelaide and Belconnen in the Australian Capital Territory (collectively the Westfield centres). The return under the Notes is based on a proportional interest, in respect of the relevant Westfield centre, as specified in the Note (Reference Property Interest). Redemption events under the Notes include non performance events by the Issuer, changes in tax laws and sale of the relevant Westfield centre. The Notes may also be redeemed at a Review Date.

The redemption value of a Note is effectively calculated as the market value of the Note holder's Reference Property Interest at the date of redemption and the final coupon (if applicable). The Notes were initially recorded at fair value and are subsequently remeasured at fair value each reporting period. The fair value of the Notes is determined by reference to the fair value of the relevant Westfield centre with the gains or losses recorded through the income statement. Accordingly, the gains or losses recorded through the income statement are directly related to the revaluation of the relevant Westfield centre. On redemption, the obligation to pay the amount due on the Notes can, in certain circumstances, be satisfied by the transfer of the underlying Reference Property Interest to the Note holder. The Notes are subordinated to all other secured and unsecured debt of the Group. The Notes are guaranteed (on a subordinated basis) by the Parent Company and RE1 Limited as responsible entity of SGT2.

$857.8 million of the Notes have been repaid and terminated since the Notes were originally issued. The review dates for the remaining Notes linked to Parramatta, Southland and Hornsby are 31 December 2021, 2022 and 2023, respectively. The coupon on the Notes is payable quarterly on 15 March, 15 June, 15 September and 15 December each year for as long as the Notes remain outstanding.

Accounting Policies

Other financial liabilities

Other financial liabilities pertain to property linked notes. Where there is a minimum distribution entitlement and/or the redemption terms include the settlement for cash on redemption, the instrument is classified as a financial liability and is designated as fair value through the income statement.

The fair value of property linked notes is determined by reference to the fair value of the underlying linked property investments.

	31 Dec 19 $million	31 Dec 18 $million
NOTE 17 DERIVATIVE ASSETS AND LIABILITIES		
(a) Derivative assets		
Current		
Receivables on currency derivatives hedging borrowings in foreign currency	**89.9**	220.3
Receivables on interest rate derivatives	**4.7**	1.3
	94.6	221.6
Non current		
Receivables on currency derivatives hedging borrowings in foreign currency	**587.8**	699.9
Receivables on interest rate derivatives	**319.4**	192.3
	907.2	892.2
(b) Derivative liabilities		
Current		
Payables on interest rate derivatives	**15.8**	12.3
	15.8	12.3
Non current		
Payables on currency derivatives hedging borrowings in foreign currency	**21.3**	55.7
Payables on interest rate derivatives	**535.7**	331.0
	557.0	386.7

The Group's derivatives above do not meet the accounting requirements to qualify for hedge accounting treatment. Changes in fair value have been reflected in the income statement. At 31 December 2019, the aggregate fair value is a net receivable of $429.0 million (31 December 2018: $714.8 million). The change in fair value for the year ended 31 December 2019 was a net loss of $285.8 million (31 December 2018: gain of $477.3 million).

The Group presents the fair value mark to market of its derivative assets and derivative liabilities on a gross basis. Certain derivative assets and liabilities are subject to legally enforceable master netting arrangements, however do not meet the criteria for offsetting in the balance sheet. As at 31 December 2019, if these netting arrangements were applied to the derivative portfolio, derivative assets of $1,001.8 million would be reduced by $429.7 million to the net amount of $572.1 million and derivative liabilities of $572.8 million would be reduced by $429.7 million to the net amount of $143.1 million. As at 31 December 2018, derivative assets of $1,113.8 million would be reduced by $364.5 million to the net amount of $749.3 million and derivative liabilities of $399.0 million would be reduced by $364.5 million to the net amount of $34.5 million.

Accounting Policies

Derivative financial instruments

The Group utilises derivative financial instruments, including forward exchange contracts, interest rate options and currency and interest rate swaps to manage the risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are recognised at fair value.

The Group has set defined policies and implemented a comprehensive hedging program to manage interest and exchange rate risks. Derivative instruments are transacted to achieve the economic outcomes in line with the Group's treasury policy and hedging program. Derivative instruments are not transacted for speculative purposes. Accounting standards require detailed compliance with documentation, designation and effectiveness parameters before a derivative financial instrument is deemed to qualify for hedge accounting treatment. As these requirements are not met, derivative instruments, other than any currency derivatives that hedge net investments in foreign operations, are deemed not to qualify for hedge accounting and changes in fair value are recorded in the income statement.

Gains or losses arising on the movements in the fair value of currency derivatives which hedge net investments in foreign operations are recognised in the foreign currency translation reserve. Where a currency derivative, or portion thereof, is deemed an ineffective hedge for accounting purposes, gains or losses thereon are recognised in the income statement. On disposal of a net investment in foreign operations, the cumulative gains or losses recognised previously in the foreign currency translation reserve are transferred to the income statement.

The fair value of derivatives has been determined with reference to market observable inputs for contracts with similar maturity profiles. The valuation is a present value calculation which incorporates interest rate curves, foreign exchange spot and forward rates, option volatilities and the credit quality of counterparties.

	31 Dec 19 Number of securities	31 Dec 18 Number of securities

NOTE 18 CONTRIBUTED EQUITY

(a) Number of securities on issue

Balance at the beginning of the year	**5,304,295,769**	5,311,595,241
Decrease in number of securities [(i)]	**(74,320,407)**	(7,299,472)
Balance at the end of the year [(ii)]	**5,229,975,362**	5,304,295,769

(i) The decrease in number of securities comprises the buy-back and cancellation of 78,239,274 securities (31 December 2018: 7,299,472 securities) offset by 3,918,867 securities (31 December 2018: nil) transferred to executives and which were previously held by the Scentre Executive Option Plan Trust.

(ii) The number of securities on issue as at 31 December 2019 was 5,238,757,932 (31 December 2018: 5,316,997,206). The Scentre Executive Option Plan Trust holds 8,782,570 (31 December 2018: 12,701,437) securities in the Group, which have been consolidated and eliminated in accordance with accounting standards.

Holders of Scentre Group stapled securities have the right to receive declared dividends from the Parent Company and distributions from SGT1, SGT2 and SGT3 and, in the event of winding up the Parent Company, SGT1, SGT2 and SGT3, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on stapled securities held.

Holders of stapled securities can vote their shares and units in accordance with the Corporations Act, either in person or by proxy, at a meeting of any of the Parent Company, SGT1, SGT2 and SGT3 (as the case may be).

	31 Dec 19 $million	31 Dec 18 $million

(b) Amount of contributed equity attributable to members of Scentre Group

Balance at the beginning of the year	**10,465.1**	10,495.2
Decrease in contributed equity [(i)]	**(301.1)**	(30.1)
Balance at the end of the year [(ii)]	**10,164.0**	10,465.1

(i) The decrease in contributed equity comprises the buy-back and cancellation of securities and associated costs of $303.6 million (31 December 2018: $30.1 million) offset by the impact of securities transferred to executives and which were previously held by the Scentre Executive Option Plan Trust of $2.5 million (31 December 2018: nil).

(ii) Comprises contributed equity attributable to SGL of $666.0 million (31 December 2018: $673.3 million) and contributed equity attributable to members of SGT1, SGT2 and SGT3 of $9,498.0 million (31 December 2018: $9,791.8 million).

Accounting Policies

Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising from the issue of ordinary securities are recognised directly in equity as a reduction of the proceeds received.

	31 Dec 19 $million	31 Dec 18 $million

NOTE 19 RESERVES

(a) Total reserves attributable to members of Scentre Group

Foreign currency translation reserve	**101.2**	98.1
Employee share plan benefits reserve	**17.1**	10.6
Balance at the end of the year [(i)]	**118.3**	108.7

(i) Comprises reserves attributable to SGL of $17.3 million (31 December 2018: $10.5 million) and reserves attributable to members of SGT1, SGT2 and SGT3 of $101.0 million (31 December 2018: $98.2 million).

(b) Movement in foreign currency translation reserve

The foreign currency translation reserve is used to record net exchange differences arising from the translation of the net investments, including qualifying hedges, in foreign controlled and equity accounted entities.

Balance at the beginning of the year	**98.1**	72.7
Foreign exchange movement		
– realised and unrealised differences on the translation of investment in foreign operations	**3.1**	26.1
– accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	**–**	(0.7)
Balance at the end of the year	**101.2**	98.1

NOTE 19 RESERVES (CONTINUED)

Accounting Policies

Translation of accounts of foreign operations

The functional and presentation currency of the Parent Company and its Australian subsidiaries is Australian dollars. The functional currency of the New Zealand entities is New Zealand dollars. The presentation currency of the overseas entities is Australian dollars to enable the consolidated financial statements of the Group to be reported in a common currency.

The balance sheets of foreign subsidiaries and equity accounted investments are translated at exchange rates ruling at balance date and the income statement of foreign subsidiaries and equity accounted investments are translated at average exchange rates for the period. Exchange differences arising on translation of the interests in foreign operations are taken directly to the foreign currency translation reserve.

Refer to Note 17 for other items included in foreign currency translation reserve.

	Note	**31 Dec 19 $million**	31 Dec 18 $million
(c) Movement in employee share plan benefits reserve			
The employee share plan benefits reserve is used to record the value of share based payments provided to employees as part of their remuneration.			
Balance at the beginning of the year		**10.6**	13.9
Movement in equity settled share based payment		**6.5**	(3.3)
Balance at the end of the year		**17.1**	10.6

NOTE 20 RETAINED PROFITS

Movement in retained profits attributable to members of Scentre Group			
Balance at the beginning of the year, as reported		**13,063.9**	11,952.1
Impact of changes in accounting standards		**–**	(10.3)
Adjusted balance at the beginning of the year		**13,063.9**	11,941.8
Profit after tax for the period		**1,179.5**	2,287.2
Dividends/distributions paid	8(b)	**(1,187.1)**	(1,165.1)
Balance at the end of the year [(i)]		**13,056.3**	13,063.9

(i) Comprises retained profits attributable to SGL of $216.5 million (31 December 2018: $201.0 million) and retained profits attributable to members of SGT1, SGT2 and SGT3 of $12,839.8 million (31 December 2018: $12,862.9 million).

NOTE 21 CAPITAL RISK MANAGEMENT

The Group seeks to manage its capital requirements to maximise value to members through the mix of debt and equity funding, while ensuring that Group entities:

- comply with capital and distribution requirements of their constitutions and/or trust deeds;
- comply with capital requirements of relevant regulatory authorities;
- maintain strong investment grade credit ratings; and
- continue to operate as going concerns.

The Group assesses the adequacy of its capital requirements, cost of capital and gearing (i.e. debt/equity mix) as part of its broader strategic plan. The Group continuously reviews its capital structure to ensure:

- sufficient funds and financing facilities, on a cost effective basis, are available to implement the Group's property development and business acquisition strategies;
- financing facilities for unforeseen contingencies are maintained; and
- distributions to members are maintained within the stated distribution policy.

The Group is able to alter its capital mix by issuing new stapled securities and hybrid securities, establishing a distribution reinvestment plan, electing to have the distribution reinvestment underwritten, adjusting the amount of distributions paid to members, activating a security buy-back program, divesting assets or adjusting the timing of capital expenditure for its property redevelopment pipeline.

The Group also protects its equity in assets by taking out insurance.

NOTE 22 FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise cash, receivables, payables, interest bearing liabilities, other financial liabilities and derivative financial instruments.

The Group manages its exposure to key financial risks in accordance with the Group's treasury risk management policies. These policies have been established to manage the key financial risks such as interest rate, foreign exchange, counterparty credit and liquidity.

The Group's treasury risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group through its training and procedures, has developed a control environment in which relevant treasury and finance personnel understand their roles and obligations in respect of the Group's treasury management objectives.

The Group has an established Board approved risk management framework including policies, procedures, limits and allowed types of derivative financial instruments. The Audit and Risk Committee reviews and oversees management's compliance with these policies, procedures and limits. The Audit and Risk Committee is assisted in its oversight role by the Group's Executive Risk Management Committee.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates, foreign exchange, liquidity and credit risk. The Group enters into derivative financial instruments, principally interest rate swaps, interest rate options, cross currency swaps, forward exchange contracts and currency options. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's operations, cash flows, interest bearing liabilities and its net investments in foreign operations. The Group seeks to deal only with creditworthy counterparties and these assessments are regularly reviewed. Liquidity risk is monitored through the use of rolling cash flow forecasts.

NOTE 23 INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk on its borrowings and derivative financial instruments. This risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate interest bearing liabilities. Fixed rate debt is achieved either through fixed rate debt funding or through the use of derivative financial instruments in accordance with a Board approved policy. These activities are evaluated regularly to determine that the Group is not exposed to interest rate movements that could adversely impact its ability to meet its financial obligations and to comply with its borrowing covenants.

Summary of interest rate positions at balance date

The Group's interest rate risk exposures at reporting date including the relevant financial instruments used to manage these exposures are as follows:

	Note	**31 Dec 19 $million**	31 Dec 18 $million
Principal amounts of interest bearing assets/(liabilities):			
Interest bearing liabilities	2(v)	**(13,819.7)**	(14,602.7)
Cross currency swaps			
– A$		**(8,953.1)**	(8,998.3)
– £800.0 million (31 December 2018: £800.0 million)		**1,512.3**	1,448.2
– US$2,100.0 million (31 December 2018: US$2,850.0 million)		**2,993.2**	4,046.0
– €3,200.0 million (31 December 2018: €2,700.0 million)		**5,114.3**	4,395.2
Cash and cash equivalents	2(v)	**261.0**	213.9
Principal amounts of net interest bearing liabilities		**(12,892.0)**	(13,497.7)
Principal amounts of fixed interest rate assets/(liabilities):			
Fixed rate debt			
– A$		**(430.0)**	(580.0)
– £800.0 million (31 December 2018: £800.0 million)		**(1,512.3)**	(1,448.2)
– US$2,100.0 million (31 December 2018: US$2,850.0 million)		**(2,993.2)**	(4,046.0)
– €3,200.0 million (31 December 2018: €2,700.0 million)		**(5,114.3)**	(4,395.2)
Fixed rate derivatives			
– A$		**(9,860.0)**	(8,147.3)
– NZ$755.0 million (31 December 2018: NZ$510.0 million)		**(724.4)**	(486.9)
– £800.0 million (31 December 2018: £800.0 million)		**1,512.3**	1,448.2
– US$2,100.0 million (31 December 2018: US$2,850.0 million)		**2,993.2**	4,046.0
– €3,200.0 million (31 December 2018: €2,700.0 million)		**5,114.3**	4,395.2
Interest rate options			
– Nil (31 December 2018: NZ$70.0 million)		**–**	(66.8)
Principal amounts of net interest bearing liabilities hedged by fixed rate debt and derivatives		**(11,014.4)**	(9,281.0)

At 31 December 2019, the Group has hedged 85% of its net interest bearing liabilities by way of fixed rate borrowings and interest rate derivatives of varying durations. The remaining 15% is exposed to floating rates on a principal payable of $1,877.6 million, at an interest rate based on an interbank benchmark rate and applicable margins (31 December 2018: 69% hedged with floating exposure on a principal payable of $4,216.7 million).

In addition to the above, the Group has entered into callable swaps with an aggregate principal value of A$1.0 billion, where floating rate payments are swapped to fixed rate payments from February 2020 until February 2026. The callable swaps may be terminated by the counterparty at no cost on a quarterly basis commencing from June 2020 until February 2026.

Interest rate sensitivity

The sensitivity of interest expense to changes in the floating exposure interest rate is proportional. Assuming the floating interest payable exposure remains unchanged, an increase or decrease in interest rates of 100 basis points would increase or decrease interest expense by $18.8 million (31 December 2018: $42.2 million) respectively for the next twelve months.

The fair values of derivatives used by the Group are also sensitive to changes in interest rates and are as follows:

	31 Dec 19 $million	31 Dec 18 $million
Interest rate movement	Increase/(decrease) in fair value	
-2.0%	**100.7**	190.0
-1.0%	**46.0**	89.9
-0.5%	**21.9**	42.0
0.5%	**(20.0)**	(32.7)
1.0%	**(38.1)**	(120.0)
2.0%	**(69.3)**	(183.8)

The assumed movement in basis points for the interest rate sensitivity analysis is based on the current observable market environment.

All fixed rate borrowings are carried at amortised cost, therefore increases or decreases arising from changes in fair value have not been recorded in these financial statements.

NOTE 24 EXCHANGE RATE RISK MANAGEMENT

The Group is exposed to exchange rate risks primarily on its foreign currency denominated debt and its investment in New Zealand. The Group manages these exposures by entering into currency derivative instruments and by borrowing in New Zealand dollars.

Summary of foreign currency balance sheet positions at balance date

The Group's significant foreign exchange risk exposures at reporting date including the relevant financial instruments used to manage these exposures are as follows:

	31 Dec 19 million	31 Dec 18 million
New Zealand Dollar		
Investment in New Zealand	**NZ$1,659.2**	NZ$1,377.5
Borrowings	**NZ$(1,028.0)**	NZ$(807.5)
NZ$ denominated net assets	**NZ$631.2**	NZ$570.0
US Dollar		
Cash and cash equivalents	**US$0.5**	US$0.4
Borrowings	**US$(2,100.0)**	US$(2,850.0)
Cross currency swaps	**US$2,100.0**	US$2,850.0
US$ denominated net assets	**US$0.5**	US$0.4
British Pound		
Borrowings	**£(800.0)**	£(800.0)
Cross currency swaps	**£800.0**	£800.0
£ denominated net assets	**–**	–
Euro		
Borrowings	**€(3,200.0)**	€(2,700.0)
Cross currency swaps	**€3,200.0**	€2,700.0
€ denominated net assets	**–**	–

Foreign exchange gains or losses arising from the translation of interests in foreign operations and the fair value gains or losses from currency derivatives where hedge accounting requirements are met, are taken directly to the foreign currency translation reserve. Where the Group does not satisfy the hedge accounting requirements, the changes in fair value are reflected in the income statement.

Foreign currency sensitivity

The Group's sensitivity to movements in foreign exchange rates mainly arises from its NZ$ denominated net assets. The €, US$ and £ denominated borrowing exposures are economically hedged using cross currency swaps with the same principal values to convert into A$ payables. Therefore the income statement is not sensitive to any movements in exchange rates in relation to these net positions.

The sensitivity of NZ$ denominated net assets to changes in the year end A$/NZ$1.0423 rate (31 December 2018: 1.0474) is as follows:	A$/NZ$ Currency movement	**31 Dec 19 $million** Gain/(loss) to foreign currency translation reserve	31 Dec 18 $million Gain/(loss) to foreign currency translation reserve
	- 20 cents	**143.8**	128.4
	- 10 cents	**64.3**	57.4
	- 5 cents	**30.5**	27.3
	+ 5 cents	**(27.7)**	(24.8)
	+ 10 cents	**(53.0)**	(47.4)
	+ 20 cents	**(97.5)**	(87.3)

The assumed currency movement for the foreign currency sensitivity analysis is based on the current observable market environment.

NOTE 25 CREDIT RISK MANAGEMENT

The Group's credit risk arises from financial assets such as cash and cash equivalents, trade and other receivables and favourable derivative financial instruments. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For cash and derivative instruments with banks and other financial institutions, credit limits have been established to ensure that the Group deals only with approved counterparties, counterparty concentration risk is addressed and the risk of loss is mitigated. Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to the Group, after allowing for appropriate set offs which are legally enforceable. A maximum credit limit is allocated to each counterparty based on its credit rating. The counterparty credit risk associated with investment instruments is assessed based on its outstanding face value.

In accordance with the Group's policy, credit risk in respect of cash and derivative financial instruments is spread among a number of creditworthy counterparties within specified limits. The Group had 44% (31 December 2018: 24%) of its aggregate credit risk spread over three counterparties each with an S&P long term rating of A+ or higher. The remainder is spread over counterparties each with less than 10% of the aggregate credit risk and with an S&P long term rating of A- or higher.

For trade and other receivables, there are no significant concentrations of credit risk. The Group also obtains security deposits from tenants in the form of cash or bank guarantees which can be called upon if the tenant is in default under the terms of the lease contract.

The maximum exposure to credit risk at balance date is the aggregate of the carrying amounts of financial assets as disclosed in Note 28.

NOTE 26 LIQUIDITY RISK MANAGEMENT

The Group undertakes active liquidity and funding risk management to enable it to have sufficient funds available to meet its financial obligations as and when they fall due, and for working capital and expected committed capital expenditure requirements. The Group prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

Refer to Note 15 for details of interest bearing liabilities and financing facilities. The maturity profiles of the principal amounts of interest bearing liabilities including aggregate future estimated nominal interest and the future estimated nominal cashflows of derivative financial instruments are set out below:

	31 Dec 19 $million	31 Dec 18 $million
Interest bearing liabilities and interest		
Due within one year	**(2,041.4)**	(2,327.0)
Due between one year and five years	**(8,177.2)**	(8,025.1)
Due after five years	**(5,078.3)**	(5,893.4)
	(15,296.9)	(16,245.5)
Comprising:		
– principal amounts of current and non current interest bearing liabilities	**(13,819.7)**	(14,602.7)
– aggregate future estimated nominal interest	**(1,477.2)**	(1,642.8)
	(15,296.9)	(16,245.5)
Derivatives inflows/(outflows)		
Due within one year	**(51.6)**	78.2
Due between one year and five years	**(79.3)**	(115.5)
Due after five years	**223.4**	278.1
	92.5	240.8

Contingent liabilities are set out in Note 34 and are not included in the amounts shown above.

NOTE 27 FINANCIAL COVENANTS

The Group is required to comply with certain financial covenants in respect of its unsecured borrowing facilities and bond offerings. The major financial covenants are summarised as follows:

a) Leverage ratio (net debt to net assets)
   – shall not exceed 65%

b) Secured debt ratio (secured debt to total assets)
   – shall not exceed 40% (and not exceed 45% on certain facilities)

c) Interest cover ratio (EBITDA to interest expense excluding gains or losses from mark to market)
   – at least 1.5 times

d) Unencumbered leverage ratio (unencumbered assets to unsecured debt)
   – at least 150% (and at least 125% on certain facilities)

At and during the years ended 31 December 2019 and 2018, the Group was in compliance with the financial covenants above.

NOTE 28 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments.

		Fair value		Carrying amount	
	Fair value Hierarchy	**31 Dec 19 $million**	31 Dec 18 $million	**31 Dec 19 $million**	31 Dec 18 $million
Consolidated assets					
Cash and cash equivalents		**253.0**	206.1	**253.0**	206.1
Trade and other receivables [i] [iii]		**268.5**	279.1	**268.5**	279.1
Derivative assets [ii]	Level 2	**1,001.8**	1,113.8	**1,001.8**	1,113.8
Consolidated liabilities					
Trade and other payables [i]		**1,011.2**	1,148.0	**1,011.2**	1,148.0
Interest bearing liabilities [ii]					
– Fixed rate debt	Level 2	**10,584.5**	10,656.5	**10,078.2**	10,506.1
– Floating rate debt	Level 2	**3,740.9**	4,096.0	**3,741.5**	4,096.6
Other financial liabilities [ii]	Level 3	**689.0**	696.9	**689.0**	696.9
Derivative liabilities [ii]	Level 2	**572.8**	399.0	**572.8**	399.0

[i] These financial assets and liabilities are not subject to interest rate risk and the fair value approximates carrying amount.

[ii] These financial assets and liabilities are subject to interest rate and market risks, the basis of determining the fair value is set out in the fair value hierarchy below.

[iii] Loss allowance for trade and other receivables amounted to $23.0 million as at 31 December 2019 and includes $2.9 million decrease in loss allowance recognised in the income statement during the period. As at 31 December 2018, loss allowance for trade and other receivables of $25.9 million includes $7.4 million of opening balance adjustment from the adoption of AASB 9 effective 1 January 2018 and $0.1 million increase in loss allowance recognised in the income statement.

Determination of fair value

The Group uses the following hierarchy for determining and disclosing the fair value of a financial instrument. The valuation techniques comprise:

Level 1: the fair value is calculated using quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: the fair value is estimated using inputs other than quoted prices that are observable, either directly (as prices) or indirectly (derived from prices).

Level 3: the fair value is estimated using inputs that are not based on observable market data.

In assessing the fair value of the Group's financial instruments, consideration is given to available market data and if the market for a financial instrument changes then the valuation technique applied will change accordingly.

During the year, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

	Property linked notes [i] 31 Dec 19 $million	Property linked notes [i] 31 Dec 18 $million
Level 3 fair value movement		
Balance at the beginning of the year	**696.9**	673.7
Net fair value loss/(gain) included in financing costs in the income statement	**(7.9)**	23.2
Balance at the end of the year	**689.0**	696.9

[i] The fair value of the property linked notes has been determined by reference to the fair value of the relevant Westfield shopping centres (refer to Note 16).

Investment properties are considered Level 3, refer to Note 3: Investment properties and Note 4: Details of shopping centre investments for relevant fair value disclosures.

NOTE 29 OTHER SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation and classification

This consolidated financial report comprises the financial statements and notes to the financial statements of the Parent Company, and each of its controlled entities which includes SGT1, SGT2 and SGT3 from the date the Parent Company obtained control and until such time control ceased. The Parent Company and Subsidiaries are collectively referred to as the economic entity known as the Group. Where entities adopt accounting policies which differ from those of the Parent Company, adjustments have been made so as to achieve consistency within the Group.

In preparing the consolidated financial statements all inter-entity transactions and balances, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

i) Synchronisation of Financial Year

By an order dated 27 June 2005, made by the Australian Securities and Investments Commission (ASIC) pursuant to subsection 340(1) of the Corporations Act, the Directors of the Parent Company have been relieved from compliance with subsection 323D(3) of the Corporations Act insofar as that subsection requires them to ensure the financial year of the controlled entity Carindale Property Trust (CDP), coincides with the financial year of the Parent Company.

Notwithstanding that the financial year of CDP ends on 30 June, the consolidated financial statements have been prepared so as to include the accounts for a period coinciding with the financial year of the Parent Company being 31 December.

ii) Joint arrangements

Joint operations

The Group has significant co-ownership interests in a number of properties through unincorporated joint ventures. These interests are held directly and jointly as tenants in common. The Group has the rights to the individual assets and obligations arising from these interests and recognises its share of the net assets, liabilities, revenues and expenses of the operation.

Joint ventures

The Group has significant co-ownership interests in a number of properties through property partnerships or trusts. These joint ventures are accounted for using the equity method of accounting.

The Group and its joint ventures use consistent accounting policies. Investments in joint ventures are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The consolidated income statement reflects the Group's share of the results of operations of the joint ventures.

iii) Controlled entities

Where an entity either began or ceased to be a controlled entity during the reporting period, the results are included only from the date control commenced or up to the date control ceased. Non controlling interests are shown as a separate item in the consolidated financial statements.

(b) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised.

(c) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on the purchase of goods and services is not recoverable from the tax authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amounts of GST included.

The net amount of GST payable or receivable to government authorities is included as part of receivables or payables on the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flow.

Commitments and contingent liabilities are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(d) Other financial instruments

The accounting policies adopted in relation to other material financial instruments are as follows:

i) Trade and other receivables

Trade and other receivables are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest. At initial recognition, these are measured at fair value.

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses are recognised in the income statement. The receivable is written off when there is no reasonable expectation of recovering the contractual cash flows. Any gain or loss on derecognition is also recognised in the income statement.

In assessing for impairment, the Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. For trade receivables, the Group applies the simplified approach permitted by the standard, which requires lifetime expected losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on outstanding balances, days past their due date and the corresponding historical credit losses experienced. Historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors (including GDP) affecting the ability of customers to settle their debts.

ii) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days.

(e) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of the impairment exists, the Group makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

	Note	31 Dec 19 Number of rights	31 Dec 18 Number of rights
NOTE 30 SHARE BASED PAYMENTS			
(a) Rights over Scentre Group stapled securities [i]			
– Performance rights – STAR	30(b)(i)	**3,378,968**	3,638,973
– Performance rights – LTAR	30(b)(ii)	**7,614,098**	7,334,982
		10,993,066	10,973,955

[i] The exercise price for these rights is nil.

(b) Equity settled share based payments

(i) Performance rights – STAR – Equity settled over Scentre Group stapled securities (Performance rights – STAR)

	31 Dec 19 Number of rights	31 Dec 18 Number of rights
Movement in Performance rights – STAR		
Balance at the beginning of the year	**3,638,973**	4,289,143
Rights issued during the year	**1,911,442**	1,971,912
Rights exercised during the year	**(1,616,270)**	(2,110,228)
Rights forfeited during the year	**(555,177)**	(511,854)
Balance at the end of the year	**3,378,968**	3,638,973

Vesting profile	31 Dec 19 Fair value granted $million	31 Dec 19 Number of rights[i]	31 Dec 18 Fair value granted $million	31 Dec 18 Number of rights[i]
2019	**–**	**–**	6.7	1,790,086
2020	**6.1**	**1,665,206**	6.8	1,848,887
2021	**5.9**	**1,713,762**	–	–
	12.0	**3,378,968**	13.5	3,638,973

[i] The exercise price for these rights is nil.

Accounting Policies

Performance rights – STAR

The Performance rights – STAR is a plan in which senior executives and high performing employees participate. The fair value of the rights issued is measured at each grant date using a Black Scholes option pricing model. The inputs include the Group's 10 day volume weighted average security price prior to the grant date, the risk free interest rate, expected volatility and expected dividend yield during the vesting period. Expected volatility is based on the historical security price volatility over the past 3 years. Executives are not able to call for early exercise of the rights, however there are provisions in the plan to allow for early vesting at the discretion of the Board. Vesting conditions such as the number of employees remaining in service is taken into account in determining the total amortisation for each reporting period. The terms of the Performance rights – STAR are described in section 11.7(c) of the Directors' Report.

(b) Equity settled share based payments (continued)

(ii) Performance rights – LTAR – Equity settled over Scentre Group stapled securities (Performance rights – LTAR)

	31 Dec 19 Number of rights	31 Dec 18 Number of rights
Movement in Performance rights – LTAR		
Balance at the beginning of the year	**7,334,982**	6,662,710
Rights issued during the year	**3,657,645**	3,517,504
Rights exercised during the year	**(2,522,796)**	(2,845,232)
Rights forfeited during the year	**(855,733)**	–
Balance at the end of the year	**7,614,098**	7,334,982

Vesting profile	**31 Dec 19 Fair value granted $million**	**31 Dec 19 Number of rights[i]**	31 Dec 18 Fair value granted $million	31 Dec 18 Number of rights[i]
2019	**–**	**–**	9.6	2,646,917
2020	**10.0**	**2,749,979**	11.2	3,014,399
2021	**11.0**	**3,159,432**	6.1	1,673,666
2022	**5.5**	**1,704,687**	–	–
	26.5	**7,614,098**	26.9	7,334,982

[i] The exercise price for these rights is nil.

Accounting Policies

Performance rights – LTAR

The senior leadership team of Scentre Group participate in the Performance rights – LTAR. The fair value of the rights issued is measured at each grant date using a Black Scholes option pricing model. The inputs include the Group's 10 day volume weighted average security price prior to the grant date, the risk free interest rate, expected volatility and expected dividend yield during the vesting period. Expected volatility is based on the historical security price volatility over the past 3 years. Other vesting conditions include meeting the performance hurdles applicable under the Performance rights – LTAR as determined annually by the Human Resources Committee. The hurdles chosen by the Human Resources Committee for the 2019 qualifying year are set out in section 11.7(c)(ii) of the Directors' Report. Vesting conditions such as number of employees remaining in service is taken into account in determining the total amortisation for each reporting period. In calculating the Black Scholes' value of rights granted it has been assumed that the performance hurdle conditions are met. The terms of the Performance rights – LTAR are described in section 11.7(c) of the Directors' Report.

Accounting for equity settled share based payments

During the year, $19.1 million (31 December 2018: $18.5 million) was charged to the income statement as gross amortisation in respect of equity settled share based payments and the corresponding entry is recorded against the employee share plan benefits reserve.

	Note	31 Dec 19 $million	31 Dec 18 $million
NOTE 31 LEASES			
(a) Right-of-use asset			
Balance at the beginning of the year		**–**	–
Additions[(i)]		**89.2**	–
Amortisation		**(6.8)**	–
Balance at the end of the year		**82.4**	–
Ground lease assets are included in investment properties as disclosed in Note 3.			
(b) Lease liabilities			
Right-of-use asset[(i)]		**84.4**	–
Ground leases		**45.4**	40.4
Total lease liabilities		**129.8**	40.4
Current		**9.7**	0.5
Non current		**120.1**	39.9
		129.8	40.4
Total lease payments during the year comprise:			
Principal payments		**5.0**	0.9
Financing costs	12	**4.5**	2.3
		9.5	3.2

(i) In June 2019, the Group sold its interest in the Sydney Office Towers. Consequently, lease agreements for the right to use certain office spaces in the Sydney Office Towers were recognised as a lease liability and right-of-use asset.

The lease agreements include the option to renew four times, each for a period of five years after January 2027. The option to extend has not been included in the measurement of lease liabilities as at 31 December 2019.

	31 Dec 19 $million	31 Dec 18 $million
The maturity profile of lease liabilities including future interest payments is set out below:		
Due within one year	**15.7**	2.5
Due between one year and five years	**67.5**	9.8
Due after five years	**149.8**	109.7
	233.0	122.0

Accounting Policies

Leases (lessee accounting)

At the lease commencement date, a right-of-use asset and a corresponding lease liability is recognised.

The liabilities arising from the lease are initially measured on a present value basis. Lease liabilities include the net present value of future lease payments, less any lease incentives receivable. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset. Lease payments are allocated between principal and finance cost.

Right-of-use assets are measured at cost comprising:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred; and
- any restoration costs.

Right-of-use assets with respect to the lease of office spaces are amortised on a straight-line basis over the lease term or asset's useful life whichever is shorter.

	31 Dec 19 $million	31 Dec 18 $million

NOTE 32 LEASE COMMITMENTS

Operating lease receivables

The following is prepared on a proportionate basis which includes both consolidated and equity accounted lease commitments.

Substantially all of the property owned and leased by the Group is leased to third party retailers. Lease terms vary between retailers and some leases include percentage rental payments based on sales revenue.

Future minimum rental revenues under non cancellable operating property leases:

Due within one year	**1,618.7**	1,635.2
Due between one and two years	**1,349.0**	1,376.7
Due between two and three years	**1,110.9**	1,138.8
Due between three and four years	**878.7**	902.2
Due between four and five years	**640.5**	671.2
Due after five years	**2,235.7**	2,135.1
	7,833.5	7,859.2

These amounts do not include percentage rentals which may become receivable under certain leases on the basis of retailer sales in excess of stipulated minimums and do not include recovery of outgoings.

	31 Dec 19 $million	31 Dec 18 $million

NOTE 33 CAPITAL EXPENDITURE COMMITMENTS

The following is prepared on a proportionate basis which includes both consolidated and equity accounted capital expenditure commitments.

Estimated capital expenditure committed at balance date but not provided for in relation to development projects:

Due within one year	**85.4**	223.4
Due between one and five years	**14.9**	17.0
	100.3	240.4

NOTE 34 CONTINGENT LIABILITIES

The following is prepared on a proportionate basis which includes both consolidated and equity accounted contingent liabilities.

Performance guarantees	**80.2**	79.9
	80.2	79.9

Entities of Scentre Group have provided guarantees in respect of certain Westfield Corporation Limited joint venture operations in the United Kingdom. Under the Restructure and Merger Implementation Deed, the entities of Scentre Group and Westfield Corporation have cross indemnified each other for any claims that may be made or payment that may be required under such guarantees. On 7 June 2018, Unibail-Rodamco-Westfield acquired the entities of Westfield Corporation, including Westfield Corporation Limited.

The Group's obligation in respect of performance guarantees may be called on at any time dependent upon the performance or non performance of certain third parties.

From time to time, in the normal course of business, the Group is involved in lawsuits. The Directors believe that the ultimate outcome of such pending litigation will not materially affect the results of operations or the financial position of the Group.

	31 Dec 19 $million	31 Dec 18 $million
NOTE 35 PARENT COMPANY		
The Parent Company financial information is presented in accordance with the amendments to the Corporations Regulations 2001 and the Corporations Amendment Regulations 2010 (No. 6). Summary data of the Parent Company is disclosed as follows:		
(a) Assets		
Current assets	**967.7**	977.5
Non current assets	**4,679.1**	4,808.2
Total assets	**5,646.8**	5,785.7
(b) Liabilities		
Current liabilities	**1,643.0**	1,663.5
Non current liabilities	**55.0**	55.0
Total liabilities	**1,698.0**	1,718.5
(c) Equity		
Contributed equity	**360.2**	370.0
Employee share plan benefits reserve	**3.0**	3.0
Asset revaluation reserve	**3,451.9**	3,587.6
Reserves [i]	**184.7**	157.6
Accumulated losses	**(51.0)**	(51.0)
Total equity	**3,948.8**	4,067.2
(d) Comprehensive income		
Profit after tax for the period	**184.5**	142.6
Other comprehensive income	**(135.7)**	44.9
Total comprehensive income for the period	**48.8**	187.5
(e) Contingent liabilities		
Guaranteed borrowings of controlled entities [ii]	**13,912.9**	14,774.7
Total contingent liabilities	**13,912.9**	14,774.7

[i] During the year, the Directors of the Parent Company approved the transfer of $184.5 million of the Parent Company's profit for the 2019 financial year to reserves. In 2018, the Directors of the Parent Company approved the transfer of $142.6 million of the Parent Company's profit for the 2018 financial year to reserves.

[ii] The Parent Company has entered into guarantee arrangements with SGT1, SGT2, SGT3 and a number of associated finance subsidiaries on a joint and several basis covering the Group's banking facilities and debt issuances. Under the arrangements, the Parent Company is guaranteed by, and is guarantor to SGT1, SGT2, SGT3 and the finance subsidiaries.

NOTE 36 SUBSIDIARIES

Financial information of SGT1 and SGT2 are provided below as they have material non controlling interests:

Scentre Group Trust 1

As at 31 December 2019, SGT1 held current assets of $0.3 billion, non current assets of $19.1 billion, current liabilities of $2.8 billion and non current liabilities of $7.2 billion (31 December 2018: current assets of $0.4 billion, non current assets of $20.2 billion, current liabilities of $3.0 billion and non current liabilities of $8.1 billion).

As at 31 December 2019, the total equity held by SGT1 was $9.4 billion (31 December 2018: $9.5 billion).

The profit after tax for the period was $519.1 million and total comprehensive income was $520.5 million (31 December 2018: profit after tax for the period was $962.0 million and total comprehensive income was $974.0 million). The revenue for the period was $600.6 million (31 December 2018: $616.7 million).

Scentre Group Trust 2

As at 31 December 2019, SGT2 held current assets of $0.2 billion, non current assets of $19.1 billion, current liabilities of $1.0 billion and non current liabilities of $4.9 billion (31 December 2018: current assets of $0.2 billion, non current assets of $19.1 billion, current liabilities of $1.1 billion and non current liabilities of $4.6 billion).

As at 31 December 2019, the total equity held by SGT2 was $13.4 billion (31 December 2018: $13.6 billion).

The profit after tax for the period was $498.1 million and total comprehensive income was $499.5 million (31 December 2018: profit after tax for the period was $1,129.6 million and total comprehensive income was $1,141.6 million). The revenue for the period was $596.6 million (31 December 2018: $580.0 million).

NOTE 37 DEED OF CROSS GUARANTEE

On 18 December 2019, Scentre Group Limited and each of the wholly-owned subsidiaries set out below (together the "Closed Group") are party to a deed of cross guarantee (Deed), as defined in ASIC Corporations (Wholly-owned Companies) Instrument 2016/785 (ASIC Instrument). The effect of the Deed is that each entity in the Closed Group guarantees the payment in full of all debts of the other entities in the Closed Group in the event of their winding up. Pursuant to the ASIC Instrument, the wholly-owned subsidiaries within the Closed Group are relieved from the requirement to prepare, audit and lodge separate financial reports.

The following entities are party to the Deed and part of the Closed Group: Scentre Group Limited, Scentre Limited, Scentre Shopping Centre Management Pty Ltd, Scentre Shopping Centre Management (VIC) Pty Ltd, Scentre Capital Assets Pty Limited, Samel Pty Limited, Scentre No 1 Pty Limited, Scentre Alliances Pty Limited.

A consolidated Statement of Comprehensive Income and Accumulated Losses and consolidated Balance Sheet for the Closed Group are as follows:

Statement of Comprehensive Income and Accumulated Losses	**31 Dec 19 $million**
Revenue	**323.2**
Expenses excluding financing costs	**(165.8)**
Financing costs	**(11.9)**
Profit before tax	**145.5**
Income tax expense	**(21.6)**
Profit after tax	**123.9**
Other comprehensive income	**(79.3)**
Total comprehensive income	**44.6**
Accumulated losses at the beginning of the year	**(61.0)**
Profit after tax	**123.9**
Transfers to reserves	**(115.1)**
Accumulated losses at the end of the year	**(52.2)**

Balance Sheet	**31 Dec 19 $million**
Current assets	
Cash and cash equivalents	**53.1**
Trade debtors	**23.6**
Receivables	**1,004.9**
Other current assets	**71.8**
Total current assets	**1,153.4**
Non current assets	
Investment in controlled entities	**4,477.1**
Right-of-use asset	**82.4**
Plant and equipment	**62.0**
Other non current assets	**14.2**
Total non current assets	**4,635.7**
Total assets	**5,789.1**
Current liabilities	
Trade creditors	**26.7**
Payables and other creditors	**1,363.5**
Interest bearing liabilities	**280.0**
Lease liabilities	**9.1**
Tax payable	**9.3**
Total current liabilities	**1,688.6**
Non current liabilities	
Payables and other creditors	**23.4**
Lease liabilities	**75.3**
Deferred tax liabilities	**51.3**
Total non current liabilities	**150.0**
Total liabilities	**1,838.6**
Net assets	**3,950.5**
Equity	
Contributed equity	**360.2**
Reserves	**3,642.5**
Accumulated losses	**(52.2)**
Total equity	**3,950.5**

	31 Dec 19 $000	31 Dec 18 $000
NOTE 38 AUDITOR'S REMUNERATION		
Amounts received or due and receivable by the auditor of the Parent Company and any other entity in the Group for:		
– Auditing the statutory financial report of the Parent Company covering the Group [i]	**2,755**	2,421
– Auditing the statutory financial reports of any controlled entities	**95**	165
– Fees for assurance services that are required by legislation to be provided by the auditor [ii]	**153**	241
– Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements [iii]	**1,072**	1,028
– Fees for other services	**–**	30
	4,075	3,885
Amounts received or due and receivable by affiliates of the auditor of the Parent Company for:		
– Auditing the statutory financial report of the Parent Company covering the Group	**55**	58
– Auditing the statutory financial reports of any controlled entities	**169**	170
– Fees for assurance services that are required by legislation to be provided by the auditor	**–**	–
– Fees for other assurance and agreed-upon-procedures services under other legislation or contractual arrangements [iii]	**41**	32
– Fees for other services	**–**	–
	265	260
	4,340	4,145

[i] Includes stapled trusts, SGT1, SGT2 and SGT3.

[ii] Includes Australian Financial Services Licence, Compliance Plan and Comfort Letters issued in respect of corporate note issuances.

[iii] Includes assurance services such as real estate trust audits, outgoings audits, promotional fund audits and other assurance engagements.

NOTE 39 SUPERANNUATION COMMITMENTS

The Group sponsors accumulation style superannuation funds to provide retirement benefits to its employees. There are no unfunded liabilities in respect of these superannuation funds and plans. The Group does not sponsor defined benefits style superannuation funds and plans.

NOTE 40 RELATED PARTY DISCLOSURES

Information required to be disclosed concerning relationships, transactions and balances with related parties of the Group is set out in this Note unless disclosed elsewhere in this financial report.

Nature of relationship with related parties

Key Management Personnel of the entity

Refer to Note 41 and the Remuneration Report in the Directors' Report for details of Key Management Personnel (KMP).

Other Related Parties

LFG Services Pty Limited and The Lowy Institute for International Policy (LFG), their related entities and other entities controlled by members of the Lowy family were considered to be related parties of the Group. This was due to LFG being under the control or significant influence of Mr Steven Lowy, a non-executive Director of the Group. Mr Lowy retired from the Board on 4 April 2019, and all disclosures relate to 1 January 2019 to 4 April 2019.

Transactions and their terms and conditions with related parties

Transactions with Key Management Personnel of the entity

Refer to Note 41 and the Remuneration Report in the Directors' Report for remuneration of KMP.

Transactions with Other Related Parties

During the period Mr Lowy was a KMP (i.e. from 1 January to 4 April 2019), the Group had an agreement with LFG to provide office space and other services and charged LFG $683,410 (31 December 2018: $3,180,208) which were on commercial arm's length terms.

There were no amounts payable to or receivable from LFG as at 31 December 2019 (31 December 2018: nil).

No provision for doubtful debts has been recognised or bad debts incurred with respect to amounts payable or receivable from LFG for the year ended 31 December 2019 (31 December 2018: nil).

The Group has established protocols governing transactions with related parties which are monitored and reviewed by the Audit and Risk Committee.

NOTE 41 DETAILS AND REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key Management Personnel are those individuals having the authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly. The non-executive Directors, Chief Executive Officer and other senior executives are considered Key Management Personnel.

(a) Key Management Personnel

As at 31 December 2019, the Board comprises the following directors:

Brian Schwartz AM	Non-Executive Chairman
Peter Allen	Chief Executive Officer/Executive Director
Andrew Harmos	Non-Executive Director
Michael Ihlein	Non-Executive Director
Carolyn Kay	Non-Executive Director
Aliza Knox	Non-Executive Director
Steven Leigh	Non-Executive Director
Margaret Seale	Non-Executive Director

Steven Lowy retired from the Board on 4 April 2019 and Steven Leigh was appointed as a Director on that date.

In addition to the Chief Executive Officer, during the year the following executives were Key Management Personnel (KMP):

Elliott Rusanow	Chief Financial Officer (appointed 4 April 2019)
Mark Bloom	Chief Financial Officer (until 4 April 2019)
Greg Miles	Chief Operating Officer (until 16 October 2019)
Cynthia Whelan	Chief Strategy and Business Development Officer (between 19 February 2019 – 14 October 2019)

(b) Remuneration of Key Management Personnel

The amounts below represent the total remuneration amounts for Key Management Personnel (KMP). A detailed discussion on KMP remuneration is in the Directors' Report rather than the financial report so as to avoid duplication of information. As such, refer to the Remuneration Report (which has been audited) in the Directors' Report for further details concerning disclosure of KMP remuneration.

The aggregate remuneration for the twelve months was:

	Short term benefits				Post Employment	Termination Benefits	Share Based	TOTAL
Key Management Personnel	Fixed remuneration[i] $	Cash STAR $	Non-monetary benefits $	Other short term employee benefits[ii] $	Other post employment benefits $	Termination benefits $	Amortisation of cash and equity settled share based payments[iii] $	$
Directors								
31 December 2019	**4,268,250**	**1,642,200**	**–**	**25,769**	**–**	**–**	**3,489,812**	**9,426,031**
31 December 2018	4,258,250	1,695,750	–	102,692	–	–	3,937,901	9,994,593
Non directors								
31 December 2019	**3,100,415**	**2,471,314**	**–**	**43,771**	**–**	**1,000,548**	**4,780,180**	**11,396,228**
31 December 2018	2,600,000	2,077,250	–	1,577	–	–	3,448,199	8,127,026
Total								
31 December 2019	**7,368,665**	**4,113,514**	**–**	**69,540**	**–**	**1,000,548**	**8,269,992**	**20,822,259**
31 December 2018	6,858,250	3,773,000	–	104,269	–	–	7,386,100	18,121,619

[i] Fixed remuneration is inclusive of statutory superannuation benefits.

[ii] Comprising annual leave and long service leave entitlements.

[iii] Refer to the Remuneration Report in the Directors' Report for further details regarding the operation of share based payments.

(c) Rights held by Key Management Personnel

Rights held by executive Key Management Personnel under the Group's equity-linked incentive plans are disclosed in the Remuneration Report.

(d) Other transactions and balances with Key Management Personnel

During the financial year, transactions occurred between the Group and Key Management Personnel which were within normal employee/non-executive Director relationships being the performance of contracts of employment/services, including the reimbursement of expenses, and the payment of dividends/distributions by the Group in respect of stapled securities held in the Group.

NOTE 42 DETAILS OF MATERIAL AND SIGNIFICANT ENTITIES

	31 Dec 19 – Interest			31 Dec 18 – Interest		
	Beneficial[1]			Beneficial[1]		
Name of entity	Parent Company %	Scentre Group %	Consolidated or Equity accounted %	Parent Company %	Scentre Group %	Consolidated or Equity accounted %
ENTITIES INCORPORATED IN AUSTRALIA						
Parent Company						
Scentre Group Limited	**100.0**	**100.0**	**100.0**	100.0	100.0	100.0
Consolidated Controlled Entities						
Scentre Group Trust 1	**–**	**100.0**	**100.0**	–	100.0	100.0
Scentre Group Trust 2	**–**	**100.0**	**100.0**	–	100.0	100.0
Scentre Group Trust 3	**–**	**100.0**	**100.0**	–	100.0	100.0
Scentre Finance (Aust) Limited	**100.0**	**100.0**	**100.0**	100.0	100.0	100.0
Scentre Limited	**100.0**	**100.0**	**100.0**	100.0	100.0	100.0
ENTITIES INCORPORATED IN NEW ZEALAND						
Consolidated Controlled Entities						
RE (NZ) Finance Limited	**–**	**100.0**	**100.0**	–	100.0	100.0
Scentre NZ Holdings Limited	**–**	**100.0**	**100.0**	–	100.0	100.0
SCG1 Finance (NZ) Limited	**–**	**100.0**	**100.0**	–	100.0	100.0

[1] Beneficial interest in underlying controlled and equity accounted entities reflects the Parent Company being Scentre Group Limited and its subsidiaries (excluding SGT1, SGT2 and SGT3) and Scentre Group's ownership interest as determined under International Financial Reporting Standards (IFRS).

Directors' Declaration

FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors of Scentre Group Limited (Company) declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including:

(i) complying with accounting standards and regulations in accordance with section 296 of the Corporations Act 2001;

(ii) giving a true and fair view of the financial position as at 31 December 2019 and the performance of the consolidated entity for the year ended on that date in accordance with section 297 of the Corporations Act 2001;

(iii) the International Financial Reporting Standards issued by the International Accounting Standards Board; and

(c) they have been provided with the declarations required by section 295A of the Corporations Act 2001.

Made on 18 February 2020 in accordance with a resolution of the Board of Directors.

Brian Schwartz AM
Chairman

Michael Ihlein
Director

18 February 2020

Directors' Report

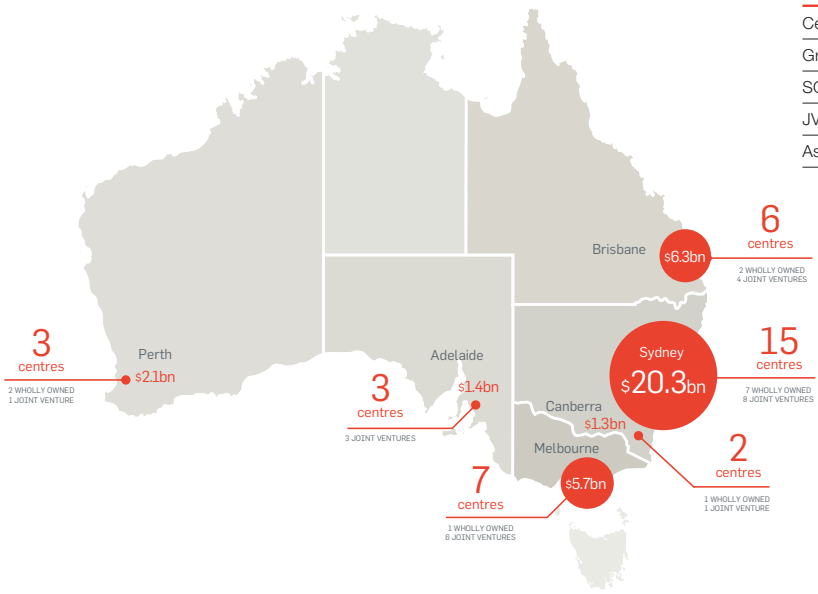
This Directors' report provides information on the structure of our business, our financial performance for the period 1 January 2018 to 31 December 2018 (Financial Year), our strategies and prospects and the key risks that face Scentre Group (Group or SCG).

Scentre Group is structured as a stapled entity: a combination of a share in Scentre Group Limited (Company) and a unit in each of Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 which are stapled and trade together as one security on the Australian Securities Exchange (ASX). For accounting purposes, the Company is the parent entity of the Group. This report covers the Company and its controlled entities for the Financial Year.

1. OPERATING AND FINANCIAL REVIEW

We own and operate the pre-eminent retail property portfolio in Australia and New Zealand, with interests in 41 centres including 16 of the top 25 centres in Australia and 4 of the top 5 centres in New Zealand. We have an exclusive, continuing and royalty free licence to use the Westfield brand in Australia and New Zealand for our existing portfolio and any new centres in Australia and New Zealand which meet certain agreed characteristics.

As at 31 Dec 2018	Total
Centres	41
Gross Lettable Area (sqm)	3.8m
SCG share of AUM	$39.1bn
JV Partner share of AUM	$15.1bn
Assets Under Management (AUM)	$54.2bn



Australia & New Zealand Portfolio

41 Centres | **$39.1bn**[1] SCG share of AUM

Our real estate portfolio is well positioned and resilient with assets under management valued at $54.2 billion (SCG: $39.1 billion). We have continued to evolve our premium portfolio of retail centres into 'living' centres, reflecting the Group's capabilities to curate a unique mix of products and services that meet the changing needs and expectations of our customers and set new industry benchmarks in our markets of operation.

We have achieved this scale through our integrated platform. We have expertise in and manage every aspect of our portfolio – from design and construction through to strategic development, asset management and operations including leasing, brandmedia and customer experience – allowing us to achieve the scale of our portfolio while creating efficiencies and positioning us to deliver strong financial results.

1. Includes construction in progress and assets held for redevelopment.

Financial Results

Our primary reporting measure is Funds from Operations (FFO) which is a widely recognised measure of performance of real estate investment groups.

Profit after tax, funds from operations and distribution for the period [i]

For the 12 months ended 31 December	Note	**2018 $million**	2017 $million
Net property income		**1,833.0**	1,794.8
Net project and management income		**131.4**	125.5
Overheads		**(85.9)**	(88.6)
Net financing costs		**(499.4)**	(481.9)
Interest on other financial liabilities		**(35.6)**	(35.0)
Mark to market of derivatives and property linked notes		**(187.2)**	(230.6)
Net modification gain on refinanced borrowing facilities		**9.9**	–
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations		**0.7**	0.8
Gain in respect of capital transactions		**40.1**	0.0
Property revaluations		**1,147.7**	3,216.8
Tax expense		**(58.8)**	(70.4)
Profit after tax		**2,295.9**	4,231.4
Adjusted for:			
– Property revaluations	2(v)	**(1,147.7)**	(3,216.8)
– Amortisation of tenant allowances	2(iii)	**67.8**	53.8
– Net fair value loss/(gain) and associated credit risk on currency derivatives that do not qualify for hedge accounting	11	**30.4**	(5.6)
– Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	11	**(0.7)**	(0.8)
– Net fair value loss on interest rate hedges that do not qualify for hedge accounting	12	**133.6**	158.4
– Net modification gain on refinanced borrowing facilities	12	**(9.9)**	–
– Net fair value loss on other financial liabilities	12	**23.2**	77.8
– Gain in respect of capital transactions	2(v)	**(40.1)**	(0.0)
– Deferred tax expense/(benefit)	2(v)	**(1.8)**	4.8
– Funds from operations attributable to external non controlling interests [ii]		**(11.2)**	(12.8)
FFO [iii]		**1,339.5**	1,290.2
Less: amount retained		**(164.1)**	(136.0)
Dividend/distributions		**1,175.4**	1,154.2

[i] The Group's income and expenses have been prepared on a proportionate basis. The proportionate basis presents the net income from equity accounted entities on a gross basis.

[ii] Funds from operations attributable to external non controlling interests of $11.2 million (31 December 2017: $12.8 million) consists of profit after tax attributable to external non controlling interests of $8.7 million (31 December 2017: $13.5 million) adjusted for non-FFO items of +$2.5 million (31 December 2017: -$0.7 million).

[iii] A key measure of the financial performance of the Group is FFO. FFO is a widely recognised measure of the performance of real estate investment groups by the property industry and is a useful measure of operating performance.

The Group's measure of FFO is based upon the National Association of Real Estate Investment Trusts' (NAREIT, a US industry body) definition, adjusted to reflect the Group's profit after tax and non controlling interests reported in accordance with the Australian Accounting Standards and International Financial Reporting Standards.

The Group's FFO excludes property revaluations of consolidated and equity accounted property investments, unrealised currency gains/losses, net fair value gains or losses on interest rate hedges and other financial liabilities, gains or losses on modification of borrowing facilities, deferred tax, gains/losses from capital transactions and amortisation of tenant allowances from the reported profit after tax and non controlling interests.

	2018 cents	2017 cents
FFO per security [iv]	**25.24**	24.29
Dividend/distribution per security	**22.16**	21.73

[iv] In calculating the FFO per security 5,307,143,233 (31 December 2017: 5,311,595,241) weighted average number of securities was used.

Financial performance

Profit after tax for the year was $2,295.9 million including property revaluations of $1.1 billion. These revaluations were underpinned by the completion of developments, net property income growth and improvement in capitalisation rates for high quality assets.

FFO was $1,339.5 million (FY17: $1,290.2 million) being FFO per security of 25.24 cents, in line with market guidance and reflecting an increase of 3.9% per security.

Distributions per security for the 12 months ended 31 December 2018 were 22.16 cents, representing 2.0% growth on the prior year (FY17: 21.73 cents) with a payout ratio of 87.8% of FFO. The distribution for the 6 months ended 31 December 2018 will be paid to securityholders on 28 February 2019.

Return on contributed equity (ROCE) was 12.72% (FY17: 12.28%).

Our Purpose, Strategy and Key Drivers

Our purpose: *"Creating extraordinary places, connecting and enriching communities"*.

During the year, we focused on:

- Customer experience;
- Our people;
- Asset management and development; and
- Capital management

		Key highlights
	Customer experience and retail product *Providing exceptional customer experiences* We seek to create a customer centric culture where customer needs are central to our strategic and operational decisions. Core to our business is: 'know the customer' 'listen to the customer' 'design for the customer' and 'engage with the customer' Our focus is on connecting with our customers by providing superior experiences. Experiences range from centre ambience, retailer mix to food, leisure and entertainment precincts and digital connectivity. *Curating a diverse, engaging and constantly evolving product mix.* Our focus is on delivering long term sustainable growth through the ability to curate an exceptional, diverse product mix and deliver extraordinary retail, lifestyle and entertainment experiences. We actively manage our tenancy mix and seek to minimise vacancies by assessing demand by category and implementing planned precinct strategies. *Build true retailer partnerships* We strive to be at the forefront of the retail property industry by developing and leading a partnership model centred on "end to end" retail solutions.	– Active curation of retail, services and experiences to meet customer expectations – Introduced 437 new brands to the portfolio, and 317 existing brands grew their store network – More than 35% of the stores across our portfolio are experienced-based offerings – Across the five developments we opened during the year, more than half of the new stores offer experiences which can only be consumed onsite, including dining, entertainment, health, fitness and beauty services – Improved ease of customer parking through continued rollout of ticketless parking – Launched 'Westfield Local Heroes' a new community recognition and grants program
	Our people *Be the place that talent can thrive*	– Employer of Choice for Gender Equality citation from the Workplace Gender Equality Agency (WGEA) – 100% retention of key executive talent identified for critical roles – Increased female representation at the senior executive level (General Manager and above) from 22% to 26.5%, at the upper range of our 2018 target of 25% – 27%

	Key highlights
Asset management and development *Our operating strategy is to own and operate the pre-eminent retail property portfolio in Australia and New Zealand.* Our portfolio comprises 41 centres including 16 of the top 25 centres in Australia and 4 of the top 5 centres in New Zealand. We concentrate on intensively managing our centres with an emphasis on delivering an optimal mix of retailers, maximising the sales productivity of retailers at each centre and providing superior experiences for our customers. We look to grow property income through the active curation of retail, services and experience as well as contractual annual rent escalations. Our asset management capabilities are strengthened by the scale, quality and geographic diversification of our portfolio providing us with a unique operating platform to attract and engage with high-demand retailers and generate new income opportunities. We own a number of our centres in joint ventures and seek to grow contractual property management income through joint venture partnerships.	– Delivered comparable NOI growth of 2.5% – Maintained portfolio occupancy to >99% leased – AUM increased to $54.2 billion (SCG share: $39.1 billion), driven by NOI growth, value creation from completed redevelopments and improved market capitalisation rates for high quality retail property – $24.0 billion (moving annual turnover or MAT) total portfolio in-store retailer sales – In-store sales productivity for specialty retailers (< 400sqm) of $11,245 sales per sqm
We seek to deliver long-term sustainable growth by strategically investing in our portfolio, allowing us to adapt to the next generation of retail. One of our competitive advantages is our integrated development, design and construction platform. Our objective is to generate incremental property income and create value through our long term development pipeline. We also aim to generate project income through developments for our joint venture partners. In line with our purpose: '*creating extraordinary places, connecting and enriching communities*', during the year, we continued to invest in the redevelopment of our centres for the benefit of our customers and retailers and to deliver attractive long-term total returns to our securityholders.	– Opened $1.1 billion (SCG share: $810 million) of redevelopments at Westfield Plenty Valley, Carousel, Coomera, Kotara and Tea Tree Plaza, adding more than 106,000 sqm – Commenced the NZ$790 million (SCG share: NZ$400 million) redevelopment of Westfield Newmarket, which will create the leading lifestyle and premium fashion destination in New Zealand – Acquired a 50% share in Westfield Eastgardens for $720 million – Successfully bid for Sydney's Barangaroo Central retail component – Revaluation gains for the portfolio of $1.1 billion
Capital management *Actively manage our capital structure* We seek to optimise our capital structure through the disciplined management of capital, funding and liquidity to deliver long-term sustainable growth in securityholder returns.	– New and extended bank loan facilities of $3.8 billion – Issued €500 million ($800 million) of long term bonds – At 31 December 2018, gearing was 33.9% and the average debt maturity was 4.4 years – Maintained a high level of interest rate hedging of 69% at 31 December 2018

Outlook

The Group forecasts FFO growth for the 12 months ending 31 December 2019 of approximately 3%.

The distribution for 2019 is forecast to be 22.60 cents per security.

Matters subsequent to the end of the year

No events have occurred since the end of the year which would significantly affect the operations of the Group.

Risks

As part of our corporate strategy we look at risk from a number of perspectives: global risk trends, social and environmental risks and retail property specific risks. These risks are subject to continuous assessment and review.

As a property group involved in the design, development, management and operation of retail shopping centres, we face a number of operational risks which have the potential to affect the achievement of our targeted financial outcomes.

A number of important strategic risks and how we manage and monitor such risks are outlined below.

Risk Management Framework

Scentre Group is exposed to a range of financial and non-financial risks arising from its operations. Accordingly, our Risk Management Policy and Framework outlines the process for identifying, assessing, controlling, reviewing and reporting on risk. The Framework is applied by the various business units within the Group in order to identify, assess and manage the risks which may impact our ability to meet our business objectives. This is done for all major projects, within each business unit on a six monthly basis and annually at a corporate level.

The Board determines the overall risk appetite for the Group and has approved strategies, policies and procedures to ensure that key risks are identified and managed.

Identified risks are subject to ongoing assessment and review. The result is a Corporate Risk Profile, which provides a detailed analysis of the major risks in our business and how we manage those risks.

There may be other risks and uncertainties which we do not currently consider material, or of which the Group is currently unaware, which may also affect of the Group. The nature and potential impact of these risks may change over time.

External Risks

Our financial results may be affected by an economic downturn that creates challenging operating conditions

We focus on the geographic diversity of our centres, creating high quality assets and intensively managing those assets to maximise long term revenue, delivering a strong balance sheet with gearing within our stated target and ensuring access to capital/debt funding sources.

Regulatory changes may impact our business model which is based on the long-term ownership of assets

Whilst Australia and New Zealand provide politically stable environments, our operations are impacted by evolving government regulations and international standards. To mitigate this risk, we engage with industry and government on policy areas and reform.

Business Risks

Property Ownership Risks

As a long-term owner of property, with a significant portion of our earnings derived from retail rental income, we are exposed to changes in consumer sentiment or shopping preferences, including the emergence of alternative retail channels. In addition, anchor tenants occupy a significant portion of the total GLA of our centres. Our strategy is to focus on creating and owning leading retail destinations across Australia and New Zealand, investing to improve the quality of the portfolio and adapting to the next generation of retail. The intensive management of our portfolio is aimed at driving the sales productivity of retailers and to provide superior experiences to consumers. We explore new income and investment opportunities including expanding media and advertising revenues, digital, car parking and infrastructure services. We view the emergence of digital technology as an important element in better connecting the retailer and our centres with the consumer.

Property Management and Development Risks

As we derive a significant portion of our income from property management activities, our financial performance will depend in part on the continued redevelopment and growth of our centres. To mitigate this risk, we have disciplined decision-making processes to take advantage of opportunities to deliver appropriate risk related returns. With development capabilities that include all elements of development, design, construction and project leasing, we have a pipeline of redevelopment and expansion opportunities within our existing portfolio and we remain focused on creating the right product in the right location.

Financial Risks

Financing Risks

As the real estate investment and development industry is highly capital intensive, our ability to access debt funding at an appropriate price, and to repay principal and interest on our debt, is a key risk. We manage our exposure through: established treasury risk management policies; diverse funding sources with staggered debt maturities and appropriate levels of interest rate hedging. Further information relating to financial risk management is detailed in Note 22 to the Financial Statements.

Operational Risks

Workplace Health and Safety (WH&S) Risks

A WH&S incident may have a long-term impact on our employees, contractors or broader community. To mitigate this risk, we have a strong workplace health and safety culture, with comprehensive workplace health and safety programs overseen by dedicated risk and security personnel.

Security and Emergency Management Risks

Unexpected catastrophes could occur that place customers, employees and contractors in physical danger. In seeking to exceed the community's expectations we engage with government agencies and specialists to address known security and operational concerns; we have dedicated risk and security personnel; we have embedded safety by design programs; and we have rehearsed security response plans for each of our centres.

IT Systems, Data, Cyber and Business Continuity

There is a risk that we are subject to a cyber-attack or privacy breach, fail to comply with regulatory obligations or suffer a failure or outage of a critical business system. To mitigate this risk we have standards, policies and systems to address cyber and privacy associated risks; invested in appropriate cyber security and disaster recovery systems and personnel and maintain an effective compliance program. Additionally, we have disaster recovery and business continuity plans that are reviewed and tested annually.

Sustainability Risks

Climate Change

As a long-term owner of real estate, we regularly review the potential for impact from climate change. In managing this risk we are focused on: reducing the cost volatility of utility services through investing in programs to reduce energy, water and waste; reviewing alternate energy sources; enhancing the resilience of our assets to potential business interruptions associated with climate change; and partnering with key stakeholders to address their future requirements.

People and Culture

There is a risk that we are unable to attract and retain the talent required to execute our strategies. We recognise the following principles as key contributors to attracting and retaining talent: creating a workforce that is reflective of the communities in which we operate; recognising that diversity in the workforce is a key contributor to the success of our business; creating an inclusive culture that supports employees at all stages of their career and encourages employees to succeed to the best of their ability. We have a number of workplace initiatives to support these principles.

Community

We are exposed to changes in consumer sentiment or shopping preferences. Our customers and retail partners, and the communities we serve, are at the heart of our business. This means curating living centres which our communities are proud to call their own. As the local hubs of our trade areas we have a unique opportunity to enrich the social wellbeing of our local regions. Our commitment to true community engagement ensures we are delivering our purpose of creating extraordinary places, connecting and enriching communities.

Environment

Our focus is on ensuring that through recycling of waste we reduce our impact on landfill and through reduction in water and electricity usage, along with our investment in alternate energy, we reduce our environmental footprint.

2. SUSTAINABILITY

Environmental laws and regulations in force in the various jurisdictions in which we operate are applicable to areas of our operations and in particular to our development, construction and shopping centre management activities. We have in place procedures to identify and comply with such requirements including complying with the conditions of relevant authority consents and approvals and obtaining any necessary licences.

Our compliance procedures are regularly reviewed and audited and their application closely monitored and our approach to sustainability risks is outlined above.

Our Sustainability Report will be published in the first quarter of 2019 and will be available on our website.

3. DIVIDENDS/DISTRIBUTIONS

A distribution of 11.08 cents per Scentre Group security was paid on 31 August 2018. This distribution was an aggregate distribution from Scentre Group Trust 1 and Scentre Group Trust 2.

A dividend/distribution of 11.08 cents per Scentre Group security will be paid on 28 February 2019. This dividend/distribution is an aggregate dividend from the Company and a distribution from Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3.

The breakdown of the component parts of the distribution, including dividends determined by the Company, are set out in Note 8 of the Financial Statements and in summary form on page 81 of this Annual Financial Report.

4. DIRECTORS AND SECRETARIES

4.1 Board Membership and Qualifications

The members of the Scentre Group Board and their qualifications, experience and responsibilities are set out below.

Brian Schwartz AM
Independent Non-Executive Chairman
Chair of the Nomination Committee
Age 66

In a career with Ernst & Young Australia spanning more than 25 years, he rose to the positions of Chairman (1996 – 1998) and then CEO of the firm from 1998 to 2004. From 2005 to 2009, Brian was the CEO of Investec Bank (Australia) Limited. Brian is a director on the board of Guardian Early Learning Group company, part of Partners Group, a global private markets investment manager, and was most recently appointed as the new Chair of the Centennial Park and Moore Park Trust. He is a fellow of the Australian Institute of Company Directors and the Institute of Chartered Accountants. Brian was previously Chairman of Insurance Australia Group Limited, Deputy Chairman of Westfield Corporation, Deputy Chairman of Football Federation Australia Limited and a Director of Brambles Limited.

Peter Allen
Executive Director/Chief Executive Officer
Age 57

Prior to the establishment of Scentre Group in 2014, Peter was an executive Director and Chief Financial Officer of Westfield Group. Peter joined Westfield in 1996 and between 1998 and 2004 was Westfield's CEO of the United Kingdom/Europe and responsible for establishing Westfield's presence in the United Kingdom. Peter is Chairman of the Shopping Centre Council of Australia and a Director of the Victor Chang Cardiac Research Institute. He is a member of the President's Council of the Art Gallery of NSW and is a member of the Property Male Champions of Change.

Andrew Harmos
Independent Non-Executive Director
Chair of the Human Resources Committee
Member of the Nomination Committee
Age 59

Andrew is one of the founding directors of Harmos Horton Lusk Limited, an Auckland based specialist corporate legal advisory firm, where he specialises in takeover advice and structuring, securities offerings, company acquisitions and disposals and strategic Board and transaction advice. Andrew holds a Bachelor of Commerce and a Bachelor of Laws (Honours) from The University of Auckland. He is a Director of AMP Limited, AMP Life Limited, The National Mutual Life Association of Australasia Limited and Elevation Capital Management Limited. He chairs the Risk Committee of AMP Limited and the Audit Committees of AMP Life Limited and The National Mutual Life Association of Australasia Limited. Andrew was formerly Chairman of the New Zealand Stock Exchange and a Trustee of the Arts Foundation of New Zealand.

Michael Ihlein
Independent Non-Executive Director
Chair of the Audit and Risk Committee
Member of the Nomination Committee
Age 63

Mike is a highly experienced corporate and finance executive with a long career with Coca-Cola Amatil Limited (and related companies) where he was Managing Director, Poland (1995 – 1997) and Chief Financial Officer and Executive Director (1997 – 2004). Mike joined Brambles as Chief Financial Officer and Executive Director in March 2004 and held the position of Chief Executive Officer from July 2007 until his retirement in November 2009. Mike holds a Bachelor of Business Studies (Accounting) from the University of Technology, Sydney. He is currently a Director of CSR Limited and Snowy Hydro Limited, and is also a Fellow of the Australian Institute of Company Directors, CPA Australia and the Financial Services Institute of Australasia. Mike was formerly a Director of Murray Goulburn Co-operative Co. Limited, from 2012 to 2017.

Carolyn Kay, Independent Non-Executive Director
Independent Non-Executive Director
Member of the Audit and Risk Committee
Age 57

Carolyn has had more than 30 years of experience in the finance sector as an executive and non-executive director. In addition, Carolyn has been and remains a non-executive director of enterprises across a broad range of industries. She is currently a member of the Future Fund Board of Guardians and a non-executive director of the Australia-China Council. In the not for profit sector, Carolyn is also a non-executive director of the General Sir John Monash Foundation. As an executive Carolyn worked as a banker and lawyer at Morgan Stanley, JP Morgan and Linklaters & Paines in London, New York and Australia. Carolyn holds Bachelor Degrees in Law and Arts (University of Melbourne), a Graduate Diploma in Management (AGSM) and is a Fellow of the Australian Institute of Company Directors. She was awarded a Centenary Medal for services to Australian society in business leadership.

Aliza Knox
Independent Non-Executive Director
Member of the Human Resources Committee
Age 58

Aliza has more than three decades of broad international marketing and management experience. She holds an MBA in Marketing (Honors) from New York University-Leonard N. Stern, School of Business, and a B.A., Applied Mathematics and Economics (Magna Cum Laude) from Brown University. Aliza is currently the Head of Asia for Cloudflare Inc. Her previous roles include Chief Operating Officer at Unlockd, Vice President, Asia Pacific at Twitter from 2012 to 2017, Managing Director of Commerce and Online Sales & Operations for Asia Pacific at Google Asia Pacific Pte. Ltd. from 2007 to 2012, Senior Vice President, Commercial Solutions and Global Product Platforms at Visa International (from 2002 to 2007) and Senior Vice President, International Wireless and Global Expansion Asian Focus at Charles Schwab Corporation (from 1999 to 2001). Aliza was also a non-executive Director of InvoCare from 2011 to 2015, a member of the supervisory board of GfK from 2014 to 2017, a member of ANZ's International Technology and Digital Business Advisory Panel from 2015 to 2017 and a non-executive Director of Singapore Post Limited from August 2013 to July 2018.

Steven Lowy AM

Non-Executive Director

Age 56

Steven Lowy is the non-executive Chairman of OneMarket Limited. He was previously an executive director of the global shopping centre company Westfield Corporation serving as co-Chief Executive Officer for many years prior to the sale of Westfield in June 2018. He is a director of the Lowy Institute. He has served as Chairman of Football Federation Australia Limited, President of the Board of Trustees of the Art Gallery of New South Wales, Chairman of the Victor Chang Cardiac Research Institute and Presiding Officer of the NSW Police Force Associate Degree in Policing Practice Board of Management. He holds a Bachelor of Commerce (Honours) from the University of New South Wales.

Steven is retiring as a non-executive Director at the conclusion of the Group's AGM on 4 April 2019.

Margaret Seale

Independent Non-Executive Director

Member of the Audit and Risk Committee

Member of the Human Resources Committee

Age 58

Margie has more than 25 years' experience in senior executive roles in Australia and overseas, including in the consumer goods, health and global publishing sectors, in sales and marketing, and in the successful transition of traditional business models to digital environments. Immediately prior to her non-executive career, Margie was Managing Director of Random House Australia and New Zealand and President, Asia Development for Random House globally. She is currently a non-executive director of Telstra Corporation Limited and Australian Pacific (Holdings) Pty Limited, and was most recently appointed director of Westpac Banking Corporation. Margie has previously served on the boards of Penguin Random House Australia Pty Ltd (as a non-executive director and then Chair), the Australian Publishers' Association, Bank of Queensland Limited, Ramsay Health Care Limited, Chief Executive Women (chairing its Scholarship Committee), the Powerhouse Museum and the Sydney Writers' Festival. In 2015, Margie founded philanthropic literary travel company Ponder & See, which funds writers' festivals and writers through creating literary trips or experiences for interested readers. She donates funds and time to create, organise and lead the trips.

Margie was recently appointed a non-executive Director of Westpac Banking Corporation which takes effect on 1 March 2019.

4.2 Directors' Relevant Interests

The relevant interests of each Director in Scentre Group securities as at the date of this report are shown below.

Director	Number of Stapled Securities
Brian Schwartz	165,861
Peter Allen	4,517,326
Andrew Harmos	80,795
Michael Ihlein	33,048
Carolyn Kay	57,000
Aliza Knox	60,400
Steven Lowy	216,467,389
Margaret Seale	56,750

No Director holds options over any issued or unissued Scentre Group securities. No options over any issued or unissued stapled securities have been issued to the Directors. None of the Directors hold debentures of Scentre Group.

None of the non-executive Directors are party to or entitled to a benefit under a contract which confers a right to call for, or be delivered, interests or securities in the Group.

Details of the performance rights held by the CEO are set out in the Remuneration Report.

4.3 Directors' attendance at meetings

The number of Board and Committee meetings held and attended by each Director during the Financial Year are detailed below.

	Board[1]		Audit and Risk Committee[2]		Human Resources Committee		Nomination Committee	
Director	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Brian Schwartz	11	11	–	–	–	–	6	6
Peter Allen	11	11	–	–	–	–	–	–
Andrew Harmos	11	11	–	–	5	5	6	6
Michael Ihlein	11	11	5	5	–	–	6	6
Carolyn Kay	11	11	5	5	–	–	–	–
Aliza Knox	11	11	–	–	5	5	–	–
Steven Lowy	11	10	–	–	–	–	–	–
Margaret Seale	11	11	5	5	5	5	–	–

1. The Board meets in person at least 6 times per year. 7 meetings in person were held in 2018. Intervening meetings comprise operational updates and are conducted by telephone.
2. Directors also attend meetings of Committees of which they are not a member. The Chairman of the Board typically attends meetings of the Audit and Risk Committee. This attendance is not reflected in the table above.
3. The Committees are comprised of the following non-executive Directors: Nomination Committee: Brian Schwartz (Chair), Andrew Harmos and Michael Ihlein; Audit and Risk Committee: Michael Ihlein (Chair), Carolyn Kay and Margaret Seale; and Human Resources Committee: Andrew Harmos (Chair), Aliza Knox and Margaret Seale.

4.4 Directors' directorships of other listed companies

Details of all directorships of other listed entities held by each Director in the 3 years immediately before 31 December 2018 are as follows:

Director	Company	Date appointed	Date resigned
Brian Schwartz	Scentre Management Limited*	6 May 2009	Continuing
	RE1 Limited*	30 June 2014	Continuing
	RE2 Limited*	30 June 2014	Continuing
	Insurance Australia Group Limited	1 January 2005	31 March 2016
	Westfield America Management Limited^	6 May 2009	7 June 2018
	Westfield Corporation Limited^	8 April 2014	7 June 2018
Peter Allen	Scentre Management Limited*	25 May 2011	Continuing
	RE1 Limited*	12 August 2010	Continuing
	RE2 Limited*	12 August 2010	Continuing
Andrew Harmos	Scentre Management Limited*	30 June 2014	Continuing
	RE1 Limited*	21 December 2010	Continuing
	RE2 Limited*	21 December 2010	Continuing
	AMP Limited	1 June 2017	Continuing
Michael Ihlein	Scentre Management Limited*	30 June 2014	Continuing
	RE1 Limited*	21 December 2010	Continuing
	RE2 Limited*	21 December 2010	Continuing
	CSR Limited	7 July 2011	Continuing
	MG Unit Trust	3 July 2015	27 October 2017
Carolyn Kay	Scentre Management Limited*	24 February 2016	Continuing
	RE1 Limited*	24 February 2016	Continuing
	RE2 Limited*	24 February 2016	Continuing
	Brambles Limited	21 August 2006	23 October 2018
Aliza Knox	Scentre Management Limited*	7 May 2015	Continuing
	RE1 Limited*	7 May 2015	Continuing
	RE2 Limited*	7 May 2015	Continuing
Steven Lowy	Scentre Management Limited*	28 June 1989	Continuing
	RE1 Limited*	12 August 2010	Continuing
	RE2 Limited*	12 August 2010	Continuing
	Westfield America Management Limited^	20 February 1996	7 June 2018
	Westfield Corporation Limited^	28 November 2013	7 June 2018
	OneMarket Limited	12 December 2017	Continuing
Margaret Seale	Scentre Management Limited*	24 February 2016	Continuing
	RE1 Limited*	24 February 2016	Continuing
	RE2 Limited*	24 February 2016	Continuing
	Ramsay Health Care Limited	28 April 2015	31 October 2018
	Telstra Corporation Limited	7 May 2012	Continuing
	Bank of Queensland Limited	21 January 2014	28 June 2018

Notes:

* Scentre Group comprises the Company, Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2) and Scentre Group Trust 3 (SGT3). The responsible entity of SGT1 is Scentre Management Limited. The responsible entity of SGT2 is RE1 Limited and the responsible entity of SGT3 is RE2 Limited. Scentre Management Limited is also the responsible entity of Carindale Property Trust, a listed managed investment scheme (ASX:CDP).

^ Westfield Corporation comprised Westfield Corporation Limited, Westfield America Trust and WFD Trust (ASX:WFD). The responsible entity of each scheme was Westfield America Management Limited.

4.5 Secretaries

As at the date of this report, the Company had the following Secretaries:

Ms Maureen McGrath

Ms Maureen McGrath was appointed General Counsel, Compliance and Secretariat of Scentre Group in June 2014. Prior to the establishment of Scentre Group, Ms McGrath was General Counsel, Corporate and Compliance, Westfield Group. She holds a Bachelor of Laws and a Bachelor of Jurisprudence from the University of New South Wales. Ms McGrath is a Fellow of the Governance Institute of Australia and a Member of the Australian Institute of Company Directors.

Mr Paul Giugni

Mr Paul Giugni was appointed General Counsel of Scentre Group in June 2014. Prior to the establishment of Scentre Group, Mr Giugni was General Counsel, Australia and New Zealand, Westfield Group. He joined Westfield Group in September 1998 and holds a Bachelor of Economics and a Bachelor of Laws (Honours) from the University of Sydney. Prior to joining Westfield Group, Mr Giugni was a solicitor at Freehill Hollingdale and Page (now Herbert Smith Freehills).

5. OPTIONS

No options were issued by the Company during or since the end of the Financial Year and no Director or member of the senior executive team holds options over issued or unissued Scentre Group stapled securities.

Details of the performance rights held by the executive Key Management Personnel are set out in the Remuneration Report.

6. INDEMNITIES AND INSURANCE PREMIUMS

Subject to the following, no indemnity was given or insurance premium paid during or since the end of the Financial Year for a person who is or has been an officer or auditor of the Group.

The Company's Constitution provides that a person who is or has been a Director or Secretary of the Company may be indemnified by the Company against liabilities incurred by the person in that capacity and for all legal costs incurred in defending or resisting (or otherwise in connection with) proceedings in which the person becomes involved because of that capacity. The indemnity does not apply to the extent that the Company is forbidden by statute to indemnify the person or the indemnity would, if given, be made void by statute.

The Group has paid premiums for directors' and officers' liability insurance in respect of Directors, Secretaries and Executive Officers of the Group as permitted by the Corporations Act 2001. The terms of the insurance policy prohibit disclosure of details of the nature of the liabilities covered by, and the amounts of the premiums payable under, that insurance policy.

In addition, each Director has entered into a Deed of Indemnity and Access which provides for indemnity against liability as a Director, except to the extent of indemnity under an insurance policy or where prohibited by statute. The deed also entitles the Director to access Company documents and records, subject to undertakings as to confidentiality.

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the standard terms of its audit engagement against claims by third parties arising from the audit (for an unspecified amount). No payment with respect to such indemnity has been made to Ernst & Young during or since the Financial Year.

7. AUDIT

7.1 Audit and Risk Committee

As at the date of this report, the Company had an Audit and Risk Committee of the Board of Directors.

7.2 Non-Audit Services and Audit Independence

During the year Ernst and Young, the Group's auditor, has provided certain non-audit services to the Group.

Details of the amount paid to the auditor, which includes amounts paid for non-audit services, are set out in Note 36 to the Financial Statements. The Board is satisfied that the provision of non-audit services by the auditor during the Financial Year is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. Furthermore, the provision of non-audit services by the auditor during the Financial Year did not compromise the independence requirements under the Corporations Act 2001 because:

- the Group's Non-Audit Services Protocol sets out the categories of non-audit services that the auditor may or may not undertake. Those categories of permitted services remain subject to the overriding principle that a non-audit service may not be provided in circumstances where it would be detrimental to the actual or perceived independence of the statutory auditor;
- the Non-Audit Services Protocol provides a mechanism by which approval for non-audit services proposed to be performed by the auditor is required to be given prior to the provision of such non-audit services, providing an appropriate review point for independence issues prior to engagement;
- under the Non-Audit Services Protocol, the auditor is required to report as to its compliance with the terms of the Protocol and, in all instances, confirm the position that the independence of Ernst & Young as statutory auditor has been maintained; and
- the auditor has provided an Auditor's Independence Declaration to the Board declaring that there has been no contravention of the auditor independence requirements of the Corporations Act 2001 or of any applicable code of professional conduct.

7.3 Auditor's Independence Declaration to the Directors of Scentre Group Limited

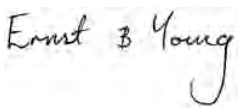
Auditor's Independence Declaration to the Directors of Scentre Group Limited

As lead auditor for the audit of Scentre Group Limited for the financial year ended 31 December 2018, I declare to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Scentre Group Limited and the entities it controlled during the financial year.



Ernst & Young

Megan Wilson
Partner

Sydney, 20 February 2019

Liability limited by a scheme approved under Professional Standards Legislation.

8. REMUNERATION REPORT

Dear Securityholders

On behalf of the Scentre Group Board, I am pleased to introduce the 2018 remuneration report.

The report aims to provide you with an understanding of our remuneration strategy and 2018 outcomes for our key management personnel (KMP). At our 2019 Annual General Meeting (AGM) to be held on 4 April 2019, we will seek your support for this report.

The year in review

While there were no changes to our remuneration framework during the year, we continued to review our remuneration strategy and performance hurdles. We have, effective 2019, reduced the potential maximum opportunity on vesting for the ROCE measure of our long term at risk remuneration (LTAR) from 150% to 125%, to equate to the maximum vesting potential under the development return hurdle. This change also responds to feedback from securityholders and proxy advisers.

Our remuneration strategy and framework are described in section 8.3 of this report, and the Board believes that these continue to achieve our desired objectives.

The Committee actively monitors the performance of our executive KMP and senior leadership team throughout the year. Our people and culture are key to delivering the Group's strategy, and we believe that having a diverse and engaged workforce contributes to strong performance.

Our executive KMP and senior leadership team are responsible for actively promoting the Group's culture, are expected to live the Group's values, our DNA, and continued to advance the Group's strategic agenda during 2018.

Our real estate portfolio is well positioned and resilient with assets under management valued at $54.2 billion. We have continued to evolve our premium portfolio of retail centres into 'living' centres, reflecting the Group's capabilities to curate a unique mix of products and services that meet the changing needs and expectations of our customers and set new industry benchmarks in our markets of operation. Our ownership interests of $39.1 billion comprise 41 Westfield-branded living centres, each of which is integral to the communities it serves and with a strong franchise value and ability to attract the world's leading brands. We have achieved this significant scale through our integrated platform, with a portfolio of strong businesses including: design and construction, development, retail operations and management, parking, and media and advertising. We are able to offer a wide range of career opportunities and have continued to attract and retain a talented and diverse workforce.

Key highlights for the year include:

- Funds from operation (FFO) of $1,339.5 million (25.24 cents per security, 3.9% growth)
- Opening $1.1 billion (SCG share: $810 million) of redevelopments at Westfield Plenty Valley, Carousel, Coomera, Kotara and Tea Tree Plaza, adding more than 106,000 sqm
- Commencing the NZ$790 million (SCG share: NZ$400 million) redevelopment of Westfield Newmarket, which will create the leading lifestyle and premium fashion destination in New Zealand
- Actively curating our retail, services and experiences to meet customer expectations
- Achieving an Employer of Choice for Gender Equality citation from the Workplace Gender Equality Agency (WGEA)
- 100% retention of key executive talent identified for critical roles
- Increasing female representation at the senior executive level (General Manager and above) from 22% to 26.5% at the upper range of our 2018 target of 25% – 27%

In determining remuneration outcomes, the Board assesses a number of factors. For our executive KMP, short term at risk remuneration (STAR) was paid at a range of 73.9% to 80.8% of maximum after the Board's consideration of the achievement of financial measures including FFO and project profits and a number of qualitative outcomes including risk management, retailer partnerships and customer experience.

The Board considers that these outcomes are fair and reflect the performance of our executive KMP.

Additionally, the 2016 LTAR incentive was tested in December 2018. Both the ROCE hurdle and the development return hurdle vested at a 110% of target as a result of the strong performance against FFO over a 3 year period in combination with no increase in issued equity and the success of our redevelopment of Westfield Chermside in Queensland. Further details of the LTAR hurdles and vesting are set out in section 8.4 of this report.

The year ahead

The Group is now in its fifth full year of operation, led by our CEO, Peter Allen, with over 20 years of service with Scentre Group and previously Westfield Group.

While another year of strong results for the Group has been delivered, there has been no increase to the fixed remuneration, STAR or LTAR (at grant) opportunity for our executive KMP.

Peter and our CFO, Mark Bloom, have not had an increase in fixed remuneration since the Group was established in 2014 and our COO, Greg Miles, has not had an increase in fixed remuneration since his appointment in 2015.

No changes are proposed to non-executive Director base fees for 2019. However, the fees for Committee members of the Human Resources Committee (excluding the chair) will increase by increments of $5,000 in each of the next 2 years to equate to Committee fees for members of the Audit and Risk Committee, and reflective of the increasing workload and time commitment required of the Committee.

We are also pleased that our Chief Strategy Officer, Cynthia Whelan, has, effective February 2019, been appointed as our first female executive KMP.

As a Board we continue to set targets which reflect our focus on delivering returns to investors and long term sustainable business performance. We also recognise that underpinning the success of the Group is our people and that our investment in them, and continuing to foster a positive culture, leads to better business outcomes.

Andrew Harmos
Chairman, Human Resources Committee

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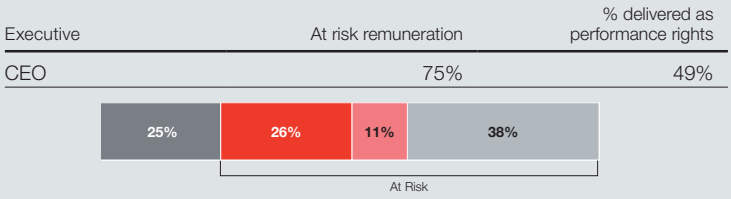
SUMMARY: HOW PERFORMANCE IS LINKED TO REMUNERATION OUTCOMES

EXECUTIVE KMP: REMUNERATION MIX

The remuneration mix for our executive KMP is weighted towards at risk remuneration (expressed as a % of available maximum at grant)



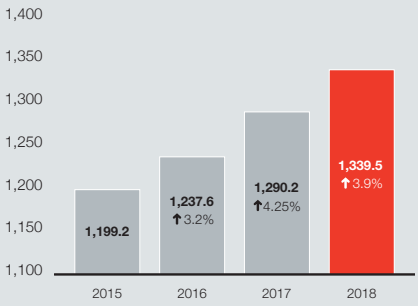
SHORT TERM AT RISK REMUNERATION (STAR) OUTCOMES

The KPIs for our executive KMP are aligned to the delivery of our purpose and strategic priorities

The FY18 STAR outcome (which assesses 2018 performance) for our executive KMP (% of maximum) was CEO: 80.8%, CFO: 79.1% and COO: 73.9%

FINANCIAL PERFORMANCE

FFO % increase per security



FFO of 25.24 cents per security (3.9% growth)

Comparable NOI growth of 2.5%

Biggest development year to date by number, floorspace and geography

- $1.1 billion of completed developments (SCG share: $810 million)
- Added more than 106,000 sqm in GLA
- Developments across 5 states: Perth (Carousel), Adelaide (Tea Tree Plaza), Melbourne (Plenty Valley), Newcastle (Kotara) and the Gold Coast (Coomera, our first greenfield development)

Distribution growth of 2.0% from 2017

Project profits of $85.3 million

CUSTOMER AND RETAIL PARTNERSHIPS

Net Promoter Score of 28% up 4%

Reputation Score increased by 2.8%

PEOPLE, CULTURE AND INNOVATION

Increased female representation at the senior executive level (General Manager and above) up from 22% to 26.5%

Launched an innovation sprint with one incubation (WhatsMine) out of test phase

LONG TERM AT RISK REMUNERATION (LTAR) OUTCOMES

Granted in 2016 and measured at the end of 2018

ROCE (75% weighting): Maximum vesting opportunity 150%. Vested at 110%

Development return hurdle (25% weighting): referable to Westfield Chermside. Maximum vesting opportunity 125%. Vested at 110%

ROCE of 12.79% was achieved under the 2016 LTAR

Development return hurdle: The $355 million redevelopment of Westfield Chermside was successfully completed in 2017 setting a new benchmark for creating extraordinary retail and lifestyle destinations

- Minimum development return of 7.0%, with target return in excess of minimum
- 105% of target return achieved
- Value creation of $0.8 billion
- Sales of $1 billion per annum

OTHER REMUNERATION OUTCOMES

There are no increases in the fixed remuneration, STAR or LTAR (at grant) opportunities for our executive KMP

On review of the ROCE and development return hurdles, the potential maximum opportunity on vesting for the ROCE measure has been reduced from 150% to 125%

8.1 Key Management Personnel

This report explains our approach to the remuneration of our Key Management Personnel (KMP). KMP are those individuals having the authority and responsibility for planning, directing and controlling the activities of Scentre Group, either directly or indirectly. They include non-executive Directors, the CEO and those senior executives considered executive KMP. For the year ended 31 December 2018, KMP were:

Name	Position
Executive Director	
Peter Allen	Chief Executive Officer
Senior Executives	
Mark Bloom	Chief Financial Officer
Greg Miles	Chief Operating Officer
Non-Executive Directors	
Brian Schwartz	Chairman
Andrew Harmos	Director
Michael Ihlein	Director
Carolyn Kay	Director
Aliza Knox	Director
Steven Lowy	Director
Margaret Seale	Director

8.2 Key Questions

Questions		Further information
Remuneration in 2018		
1. How is the Group's 2018 performance reflected in this year's remuneration outcomes?	2018 financial highlights and people and customer highlights appear in a number of sections.	– The Committee Chairman's letter – Summary on page 13 – Section 8.4
2. What changes were made to the remuneration framework in 2018?	No changes were made.	
3. Are any changes planned for 2019?	We have reduced the potential maximum opportunity on vesting for the ROCE measure under the LTAR from 150% to 125%.	Section 8.7
Remuneration framework		
4. What is the remuneration framework?	Remuneration comprises fixed and at risk remuneration.	Section 8.3
5. Who do we benchmark against?	From 2017, in addition to the A-REIT sector and ASX 30, we have included the ASX 30, excluding the "Big 4" banks, Rio Tinto and BHP, as a reference point to compare remuneration levels for our executives.	Section 8.3
6. What proportion of the remuneration is at risk?	The 2018 at risk (i.e. the short term at risk (STAR) and long term at risk (LTAR)) proportion of maximum remuneration measured at grant date was: CEO – 75%, CFO – 71.5% and COO – 73%.	Section 8.3
7. Are there any clawback or cancellation provisions for at risk remuneration?	Yes. The plans contain provisions for the lapsing of all unvested awards in a number of circumstances.	Section 8.7
8. Does the Group have a minimum securityholding requirement?	Yes. Executive KMP and non-executive Directors are required to maintain a minimum holding of securities.	Section 8.7
At risk remuneration		
9. Are any STAR payments deferred?	Yes. 30% of the actual STAR awarded is delivered as performance rights, which vest after 3 years.	Section 8.3 and section 8.7
10. Are STAR payments capped?	Yes. The potential maximum STAR for executive KMP is capped at 150% of their fixed remuneration.	Section 8.3
11. What are the performance measures for the LTAR?	The LTAR hurdles are: – A Return on Contributed Equity (ROCE) hurdle with a 75% weighting (ROCE will be assessed by reference to ROCE in year 3). – A development return hurdle with a 25% weighting (measured at the end of year 3).	Section 8.4 and section 8.7
12. Does the LTAR have re-testing?	No. If full qualification for awards is not achieved, there is no provision for re-testing the hurdles.	Section 8.7
13. Is the size of LTAR grants increased in light of performance conditions?	The number of rights which vest is based on a graduated scale dependent on performance against metrics set at the time of grant. Actual performance can result in a decrease to zero or an increase in the number of securities that can be delivered on vesting, subject to a cap.	Section 8.4 and section 8.7
14. Can participants hedge their unvested awards?	No. Participants are prohibited from hedging awards.	Section 8.7
15. Does Scentre Group buy securities or issue new securities to satisfy vesting?	Where rights are settled with securities, the Group acquires the securities on-market and transfers the securities to executives.	Section 8.7
16. Is the CEO grant of performance rights subject to securityholder approval?	Yes. The grant of 2018 performance rights to the CEO was approved at the 2018 AGM and approval for the grant of 2019 performance rights to the CEO will be sought at the AGM on 4 April 2019.	Section 8.7
17. Are distributions paid during the vesting period?	No. However, the number of rights allocated is determined using the face value of Scentre Group securities, adjusted for the estimated value (based on the Group's published 1 year forecast) of distributions that may be paid on stapled securities during the vesting period. No adjustments are made in relation to actual distributions paid.	Section 8.7

8.3 Remuneration philosophy and link to business strategy

Objectives

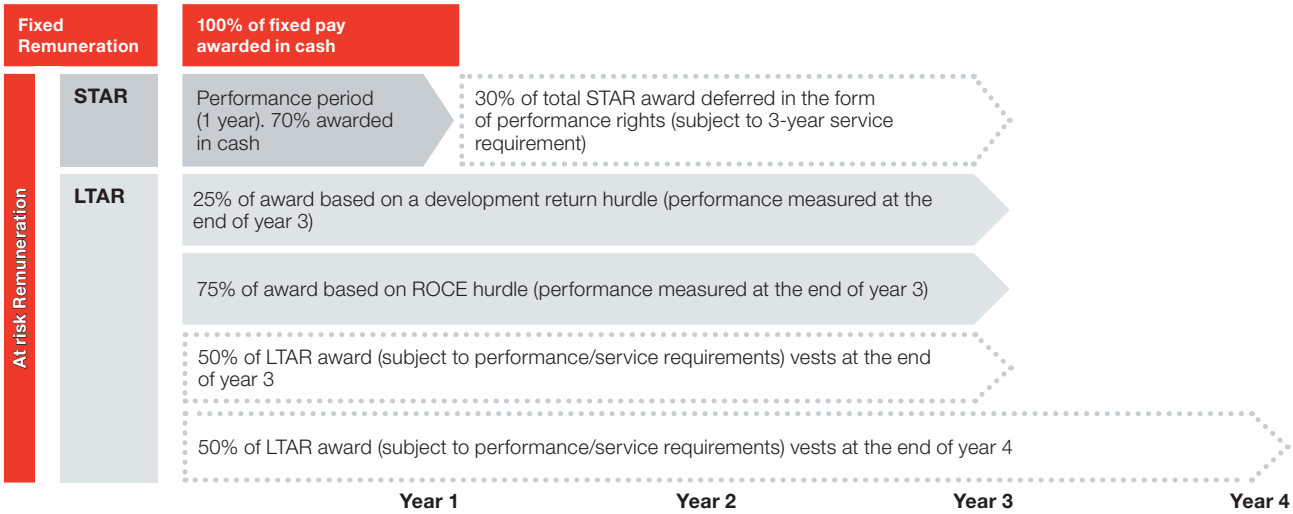
Attract and retain the best talent	Fairly reward our people	Align the interests of our people with securityholders

Remuneration element	Performance conditions	Alignment with strategy and performance
Fixed remuneration Base salary (inclusive of superannuation). Fixed remuneration is targeted at the 75th percentile of our comparator group.	Considerations include: the scope and complexity of the role, the individual's experience, knowledge and skills, individual performance and market benchmarking.	Fixed remuneration is set at market competitive levels to attract and retain key talent.
At risk remuneration *Short term at risk remuneration (STAR)* Rewards current year performance. 70% of the actual STAR is paid in cash at the end of the year. 30% of the actual STAR is delivered as performance rights which vest after 3 years, creating a longer term and retention focus. Our STAR is structured as annual at risk remuneration. That is underperformance and failure to achieve KPIs results in a reduction of rewards under the STAR.	**Financial measures** CEO: 65%, CFO: 70% and COO: 65% Financial measures incorporate the following metrics: – FFO – Project profits – Development starts – Leasing metrics – Capital management **Non-financial measures** CEO: 35%, CFO: 30% and COO: 35% A balance of measures that underpin the growth and sustainability of our business including customer experience, retailer partnerships, community engagement, risk management, safety, diversity and inclusion and organisational capabilities including innovation. For FY18, KPIs included specific metrics focused on the customer. Further details of the STAR performance measures are at section 8.4.	The STAR provides differentiation of pay for performance based on business and individual performance outcomes. Performance conditions are designed to support the financial and strategic direction of the Group, with clearly defined KPIs that are measurable ensuring appropriate differentiation of reward for performance. Non-financial measures include discretionary elements (ranging from 20% – 25%) for evaluation by the Board. The Board has discretion to apply judgement when approving the final performance outcomes. Failure to achieve KPIs results in a reduction of rewards under the STAR.
At risk remuneration *Long term at risk remuneration (LTAR)* Rewards long term sustainable performance. Delivered as performance rights which vest in two tranches at the end of year 3 and year 4 if the performance hurdles are achieved.	**Development return hurdle** (25% weighting) **ROCE hurdle** (75% weighting) Further details of the LTAR performance conditions are at sections 8.4 and 8.7.	The LTAR ensures a strong link to the long-term performance of the Group, the creation of securityholder value and acts as a retention tool. ROCE is an important long-term measure of how the senior management team generates returns on securityholder equity through a combination of improving earnings and capital management. The development program is a significant driver of growth for the Group through adding to the scale and enhancing the quality of our portfolio. The development return hurdle is linked to long term securityholder value as it is assessed against actual incremental income yields generated through the completion of major developments (over $50 million).

At risk remuneration

The value of rights granted under the STAR and LTAR increases or decreases depending on the security price

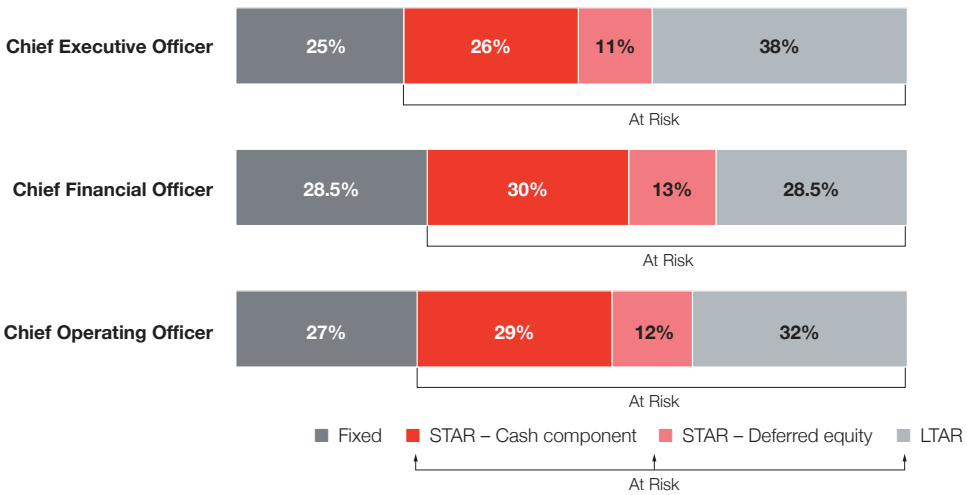
When is remuneration earned and received?



Executive KMP remuneration

The remuneration mix for our executive KMP is weighted towards at risk remuneration. The potential maximum STAR (as a percentage of fixed remuneration) for each of our executive KMP is 150%. The LTAR (at grant, as a percentage of fixed remuneration) for our executive KMP is CEO: 155%, CFO: 100% and COO: 120%.

The tables below show each of the components as a percentage of maximum remuneration at grant for our executive KMP for 2018. The actual amount delivered under the STAR and LTAR depends on the level of achievement of the performance measures.



In addition to the traditional A-REIT sector and ASX 30, in our benchmarking we have considered the ASX30, excluding the "Big 4" banks, RIO Tinto and BHP, as a reference point by which to compare remuneration levels for our executives. We believe that this continues to reflect the changing nature of our business, our size and strategic agenda including our desire to attract and be competitive in the market for talent from the broader ASX30. This is evidenced by recent appointments from outside the A-REIT sector including our Chief Strategy Officer, Director, Technology and Director, Communications who came from the telecommunications, media networks and banking sectors.

8.4 Remuneration outcomes and the link between performance and reward

Scentre Group is the 15th largest listed entity on the ASX by market capitalisation with assets under management of $54.2 billion (SCG share: $39.1 billion). Our ownership interests comprise 41 Westfield-branded living centres (including 16 of the top 25 centres in Australia and 4 of the top 5 centres in New Zealand) each of which is integral to the communities it serves and with a strong franchise value and ability to attract the world's leading brands.

We have achieved this scale through our integrated platform, with a strong portfolio of businesses. Our construction business is one of the largest commercial construction businesses in Australia and our design business in one of the largest multi-disciplined firms. We are also one of the largest car park operators in Australia.

(a) FY18 highlights include

Customer Experience and Retail Product

- Active curation of retail, services and experiences to meet customer expectations
- Introduced 437 new brands to the portfolio, and 317 existing brands grew their store network
- More than 35% of the stores across our portfolio are experience-based offerings
- Across the five developments we opened during the year, more than half of the new stores offer experiences which can only be consumed onsite, including dining, entertainment, health, fitness and beauty services
- Improved ease of customer parking through continued rollout of ticketless parking
- Launched 'Westfield Local Heroes', a new community recognition and grants program

Our People

- Increased female representation at the senior executive level (General Manager and above) to 26.5% at the upper end of our 2018 target of 25% – 27%
- 100% retention of key executive talent identified for critical roles
- Employer of Choice for Gender Equality citation from WGEA

Asset Management and Development

- Opened $1.1 billion (SCG share: $810 million) of redevelopments at Westfield Plenty Valley, Westfield Carousel, Westfield Coomera, Westfield Kotara and Westfield Tea Tree Plaza during 2018, adding more than 106,000 sqm
- Commenced the NZ$790 million (SCG share: NZ$400 million) redevelopment of Westfield Newmarket, which will create the leading lifestyle and premium fashion destination in New Zealand
- Acquired a 50% share in Westfield Eastgardens for $720 million
- Successfully bid for Sydney's Barangaroo Central retail component
- Revaluation gains for the portfolio of $1.1 billion

Capital Management

- New and extended bank loan facilities of $3.8 billion
- Issued €500 million ($800 million) of long term bonds
- At 31 December 2018, gearing was 33.9% and the average debt maturity was 4.4 years
- Maintained a high level of interest rate hedging of 69% at 31 December 2018

(b) Financial measures

The following table represents business performance outcomes and security price since the establishment of the Group in 2014.

Five year performance		**FY18**	FY17	FY16	FY15	FY14*
Funds from Operations (FFO)	A$m	**1,339.5**	1,290.2	1,237.6	1,199.2	577.9
FFO per security	cents	**25.24**	24.29	23.30	22.58	10.88
Distribution per security	cents	**22.16**	21.73	21.30	20.90	10.20
Security price (at 31 December)	A$	**3.90**	4.19	4.64	4.19	3.50
Distribution payout ratio**	%	**87.8**	89.5	91.4	92.6	93.8
Return on contributed equity (ROCE)	%	**12.72**	12.28	11.80	11.40	11.00
Comparable net operating income (NOI) growth	%	**2.5**	2.75	2.9	2.6	2.4
Incremental GLA	sqm	**106,550**	38,000	50,700	42,386	44,149
Group's share of incremental GLA	sqm	**70,150**	35,500	36,450	25,949	44,149
Assets under management (AUM)	A$b	**54.2**	51.0	45.7	42.1	40.9
Group's share of AUM	A$b	**39.1**	36.2	32.3	30.1	29.3
Profit	A$m	**2,287.2**	4,217.9	2,990.5	2,707.8	1,281.2
Gearing	%	**33.9**	32.1	33.3	33.3	34.9

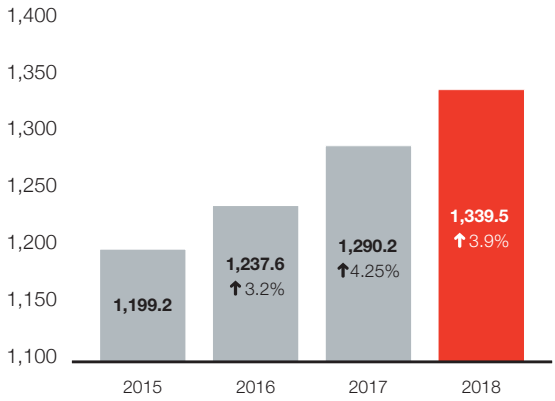
* 6 months to 31 December 2014. The Group was established on 30 June 2014.

** As announced in August 2017, the Group extended its practice to grow distributions at a lower rate than earnings growth until reaching a distribution payment ratio of 85% of FFO.

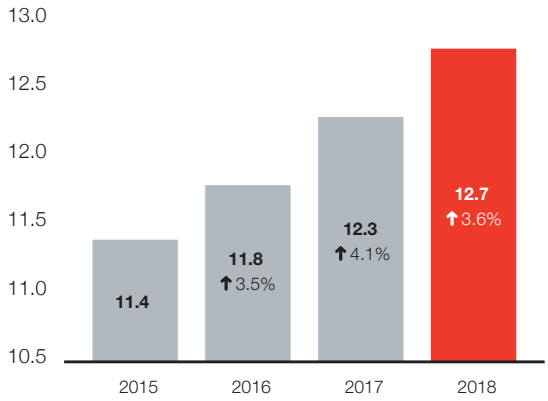
Key financial metrics which are aligned to the STAR and LTAR outcomes for the executive KMP are FFO and ROCE. FFO is a key financial measure to drive returns to securityholders and ROCE is an important long term measure of how the senior executive team generates returns on securityholder equity through a combination of improving earnings and capital management.

The charts below show growth in FFO and ROCE since 2015, being the first full year of operation of the Group.

Funds From Operations (FFO) % increase per security



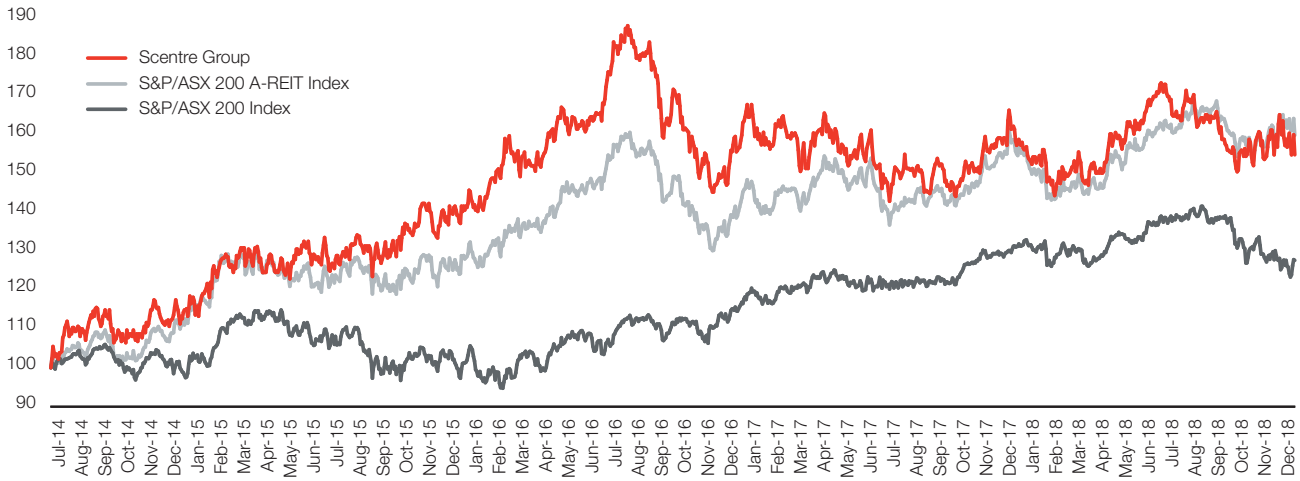
Return on Contributed Equity (ROCE) %



(c) Total returns

The Group is included in the S&P/ASX A-REIT Index and the S&P/ASX 200 Index.

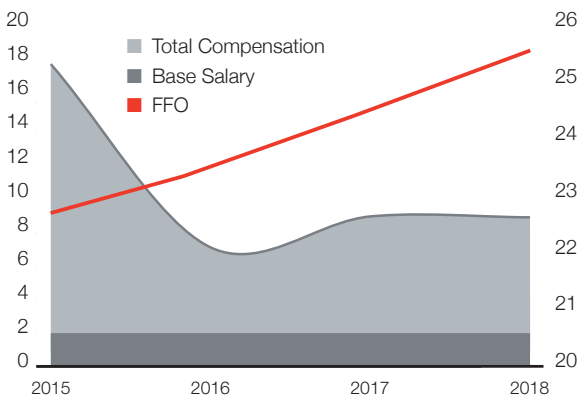
The Chart below shows the Group's relative performance (on a daily basis) against those indices (1 July 2014 to 31 December 2018).



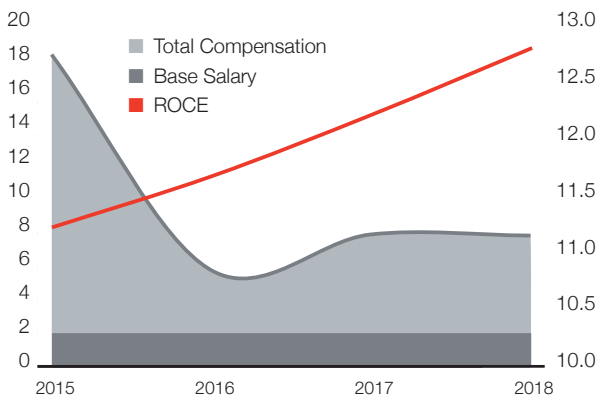
(d) CEO remuneration comparatives

The charts below shows our CEO's remuneration as compared to FFO (cents per security) and ROCE (%) from 2015 being the first year of full operation for the Group to 2018. The compound annual growth rate in FFO in this period was 3.8% and for ROCE was 3.7%.

CEO Remuneration $m* **FFO (Cents per Security)**



CEO Remuneration $m* **ROCE (%)**



* In 2015, retention awards issued by the prior Westfield Group, with a value of $11,363,652 on vesting.

(e) CEO: 2018 performance objectives

Details of our CEO's performance measures, weightings, assessment and resulting STAR outcomes are set out in the following tables. The weighting between financial and non-financial measures was 65% financial and 35% non-financial.

Category	KPI	Weighting	Assessment	Commentary
FINANCIAL TARGETS AND RESULTS	Funds from operations (FFO) A key measure of the financial performance of the Group is FFO	65%	Full achievement against target	Achieved FFO of $1,339.5 million, in line with the performance target and market guidance Project profits of $85.3 million, in line with the performance target and budget
CUSTOMER AND RETAIL PARTNERSHIPS	Customer experience and retail partnership Embedding a customer centric culture where our customer needs are central to our strategic and operational decisions	10%	Above target achievement	Customer advocacy measured by net promoter score and reputation score both improved in 2018 – Net promoter score (derived from all customer feedback) of 28% up 4% [1] – Reputation score increased by 2.8% (above target of 2.0%) – Over 97,000 reviews Retailer partnerships: the process from leasing premises to retailer opening has been enhanced, reducing the timeframe and improving the retailer experience
PEOPLE, CULTURE & INNOVATION	Enhance organisational capability and culture of agility and innovation, implement strategic initiatives Improve organisational effectiveness and business readiness including digital and data capabilities and responding to disruption Continued investment in community engagement	10%	Partial achievement against target	Established business development and innovation team, and launched an innovation sprint with BCGDV with one incubation – WhatsMine – out of test phase Implementation of a new Salesforce system to increase the speed and ease of interacting with retailers was delayed Launch of 'Westfield Local Heroes', a program which celebrates community members who work across the three areas of family, youth opportunity and inclusion. In its first year, the program attracted more than 1000 nominations and 70,000 public votes from across Australia and New Zealand
	Support the integration of strategic appointments within the Group	5%	Full achievement against target	Recently appointed senior executives performing strongly
	Risk management	5%	Full achievement against target	Voluntary employee turnover at 13.8%, below target of 15% 100% retention of key executive talent identified for critical roles No employee or contractor fatalities within the Group's workplaces
	Increased female representation at senior levels	5%	Full achievement against target	Increased female representation at the senior executive level (General Manager and above) from 22% to 26.5%, at the upper end of our 2018 target of 25% – 27% Employer of Choice for Gender Equality citation from the Workplace Gender Equality Agency

1. The Net Promoter Score (NPS) is calculated as the difference between the percentage of Promoters and Detractors. The NPS varies between -100% and +100%.

(f) CFO and COO performance objectives [1]

The weighting between financial and non-financial measures for the CFO was 70% financial and 30% non-financial and for the COO 65% financial and 35% non-financial.

The CFO achieved target for financial measures in relation to FFO and treasury and financial management. Performance against measures for investor stakeholder engagement was assessed at partial achievement against target. Performance against measures relating to people and organisational capability and innovation were also assessed at partial achievement against target.

The COO achieved target for financial measures in relation to FFO, commencement of new developments and continuation of the development pipeline. Performance against meeting time, leasing and financial metrics for completed developments was assessed at partial achievement against target. Performance against metrics relating to customer experience was assessed at above target. Performance against people and organisational capability was assessed at partial achievement against target.

(g) 2018 STAR outcomes

The actual 2018 STAR outcome for the CEO is as follows.

Executive	Year	STAR maximum $	Actual STAR granted $	$ Cash component		Deferred equity $		Actual STAR (as a % of maximum)	STAR not achieved (as a % of maximum)
Peter Allen	**2018**	**3,000,000**	**2,422,500**	**1,695,750**	**(70%)**	**726,750**	**(30%)**	**80.8**	**19.2**
	2017	3,000,000	2,486,250	1,740,375	(70%)	745,875	(30%)	82.9	17.1

The actual 2018 STAR outcomes for the CFO and COO are as follows.

Executive		STAR maximum $	Actual STAR granted $	$ Cash component		Deferred equity $		Actual STAR (as a % of maximum)	STAR not achieved (as a % of maximum)
Mark Bloom	**2018**	**1,650,000**	**1,305,000**	**913,500**	**(70%)**	**391,500**	**(30%)**	**79.1**	**20.9**
	2017	1,650,000	1,341,250	938,875	(70%)	402,375	(30%)	81.3	18.7
Greg Miles	**2018**	**2,250,000**	**1,662,500**	**1,163,750**	**(70%)**	**498,750**	**(30%)**	**73.9**	**26.1**
	2017	2,250,000	1,706,250	1,194,375	(70%)	511,875	(30%)	75.8	24.2

(h) 2016 LTAR outcomes

Performance rights were granted to executives in 2016 under the Group's 2016 LTAR plan. The first tranche vested in December 2018. The second tranche will vest in December 2019. The 2016 LTAR had two hurdles: ROCE and a development return hurdle both measured at the end of year 3 (2018). The mechanics of the LTAR plan are described in section 8.7.

ROCE hurdle (75% weighting)

The ROCE hurdle enables the Board to reward management performance having regard to the level of returns generated on securityholder equity through a combination of improving earnings and capital management. The Group's ROCE is calculated by applying FFO for the relevant financial year as a percentage of the Group's weighted average contributed equity during the year.

FFO growth over the 3 year period in combination with no increase in issued equity resulted in the ROCE hurdle vesting at 110%. The Group commenced a buy-back during the year. However, given the size of the buy-back (0.14%), there was no meaningful impact (positive or negative) on the ROCE calculation.

ROCE achieved for the 2016 LTAR was 12.79%. Adjusted for the additional retained earnings resulting from the change in our distribution payment ratio, ROCE for 2018 was 12.72% which remained within (and had no impact on) the graduated scale of vesting at 110%.

The ROCE hurdle was adjusted to take into account the changed distribution payment ratio from 2018 onwards.

Since 2015, being the first full year of operation for the Group, ROCE has increased from 11.4% to 12.72%.

Development return hurdle (25% weighting)

The development return hurdle is designed to measure the actual incremental yield that has been generated through the completion of major developments (over $50 million) compared to Board approved feasibilities. The major development commenced in 2016 was Westfield Chermside in Queensland.

The $355 million redevelopment of Westfield Chermside was successfully completed in 2017. The development set a new benchmark for creating extraordinary retail and lifestyle destinations with value creation of $0.8 billion from the redevelopment. Westfield Chermside is now the 5th most productive centre in Australia by moving annual turnover. It is the largest centre in Queensland and continues to grow visitations in excess of 18 million per annum. Chermside is the only Brisbane shopping centre with international mini-majors H&M, Zara, Uniqlo and Sephora under the one roof.

Westfield Chermside received global industry recognition for its design, having been shortlisted in the "Shopping – Completed Buildings" category of the 2018 World Architecture Festival.

1. As announced on 29 January 2019, Mark Bloom will retire from his role as CFO at the Group's AGM on 4 April 2019.

The outcome of the 2016 LTAR (measured at the end of 2018) is as follows.

ROCE	Target (100% vesting)	What was achieved	% Vested	% Weighting
	12.50 – 12.59 %	12.79%	110	75
Development return hurdle (yield)	**Target**	**What was achieved**	**% Vested**	**% Weighting**
	Minimum development return of 7% with target in excess of minimum	105% of target return	110	25

The ROCE hurdle had a cap of 150% vesting (at 13.2% or above). Achievement below 12.50% would have resulted in a reduction of the percentage of vesting. If ROCE was 12.19% or below, the level of vesting would have been zero.

The development return hurdle had a cap of 125% vesting. Vesting increased by 5% for every incremental 0.2% above target yield, with a cap of 125% vesting. Achievement below forecast yield would have resulted in a reduction of the percentage of vesting with vesting being reduced by 10% for each incremental 0.2% lower than target yield until 85% of the target yield. If the development return was below 85% of target yield, the level of vesting would have been zero.

(i) 2018 LTAR hurdles

For 2018, the performance hurdles remained as ROCE (75% weighting) and a development return hurdle (25% weighting). The mechanics of the LTAR are described in section 8.7.

For 2018 (measured in 2020), there is one major development for the purposes of the development return hurdle, being Westfield Newmarket in Auckland.

8.5 Executive KMP 2018 actual remuneration (non-statutory)

The table below sets out the remuneration paid to, or vested for, our executive KMP. The numbers in this table differ from those shown in section 8.6 (executive KMP statutory remuneration) primarily due to differences in the accounting treatment of share based payments. The table in section 8.6 includes an apportioned accounting value for all unvested at risk STAR and LTAR rights on issue during the year (some of which remain subject to satisfaction of performance hurdles and service conditions and may not ultimately vest). Further details of the accounting treatment of awards are set out in Note 30 to the financial statements.

While the cash amount received by an executive in any one year may vary above or below statutory remuneration, this does not impact the financial position of the Group as all performance rights are amortised over their life.

The table below shows the market value of the performance rights under the STAR and LTAR plans for rights that vested for the benefit of our executive KMP in 2018, including where awarded in prior periods. The value of the rights increases or decreases depending on movement in the security price. Also included is the movement in the market value of these rights since the date of grant.

The table below presents:

- Fixed remuneration
- Cash STAR: the cash bonus earned in 2018 under the STAR
- Deferred STAR: the value of the deferred STAR from prior years that vested in 2018 and satisfied by the delivery of Group securities. The STAR is subject to a 3 year vesting period
- LTAR: the value of LTARs from prior years that vested in 2018 and satisfied by the delivery of Group securities. This includes for our CEO and CFO the vesting of rights that were granted in 2014, 2015 and 2016. Our COO was appointed in November 2015. 2018 represents the first year of vesting under the 2016 LTAR.

		Short term benefits			SCG share based payments				
					Deferred STAR	LTAR			
	Year	Fixed remuneration[i] $	Cash STAR[ii] $	Other short term benefits[iii] $	Market value at grant $	Market value at grant $	Cash value before movement in market value	Movement in market value $	Total cash value $
Executive KMP									
Peter Allen	**2018**	**2,000,000**	**1,695,750**	**102,692**	**795,806**	**4,138,571**	**8,732,819**	**438,969**	**9,171,788**
	2017	2,000,000	1,740,375	(12,692)	942,501	3,087,801	7,757,985	1,146,179	8,904,164
Mark Bloom	**2018**	**1,100,000**	**913,500**	**22,635**	**452,517**	**1,387,530**	**3,876,182**	**164,475**	**4,040,657**
	2017	1,100,000	938,875	31,096	412,343	1,158,385	3,640,699	463,100	4,103,799
Greg Miles	**2018**	**1,500,000**	**1,163,750**	**(21,058)**	**–**	**1,357,100**	**3,999,792**	**(22,409)**	**3,977,383**
	2017	1,500,000	1,194,375	36,634	–	347,245	3,078,254	15,541	3,093,795

[i] Base salary is inclusive of statutory superannuation benefits.

[ii] 70% of the STAR is delivered in cash and 30% as performance rights.

[iii] Comprising annual leave and long service leave entitlements.

8.6 Executive KMP statutory remuneration

The table below sets out the 2018 statutory remuneration for our executive KMP. As noted above, this table includes an apportioned accounting value for all unvested STAR and LTAR rights granted prior to or in 2018 (some of which remain subject to satisfaction of performance hurdles and service conditions and may not ultimately vest). Further details of the accounting treatment of awards are set out in Note 30 to the financial statements.

		Short term benefits			Share based payments [iii]				
	Year	Fixed remuneration [i] $	Cash STAR $	Other short term benefits [ii] $	Cash $	Equity $	Other long term benefits $	Termination Benefits $	Total remuneration $
Executive KMP									
Peter Allen	**2018**	**2,000,000**	**1,695,750**	**102,692**	**–**	**3,937,901**	**–**	**–**	**7,736,343**
	2017	2,000,000	1,740,375	(12,692)	123,904	3,589,310	–	–	7,440,897
Mark Bloom	**2018**	**1,100,000**	**913,500**	**22,635**	**–**	**1,434,232**	**–**	**–**	**3,470,367**
	2017	1,100,000	938,875	31,096	55,757	1,288,173	–	–	3,413,901
Greg Miles	**2018**	**1,500,000**	**1,163,750**	**(21,058)**	**–**	**2,013,967**	**–**	**–**	**4,656,659**
	2017	1,500,000	1,194,375	36,634	–	1,350,488	–	–	4,081,497

[i] Fixed remuneration is inclusive of statutory superannuation benefits.

[ii] Comprising annual leave and long service leave entitlements.

[iii] Refer to the tables below for details of rights held by executive KMP under the equity-linked plans.

(a) Participation in the STAR plan: CEO, CFO and COO

The following table details performance rights held by our executive KMP under the STAR plan.

	Effective date of grant	No. Granted	Vesting Date	% Vested	Fair Value at Grant [i] $	Market value as at 31 Dec 2018 [iii] $
Executive KMP						
Peter Allen	1 Jan 2016	194,099	14 Dec 2018	100%	685,169	N/A [iii]
	1 Jan 2017	205,419	16 Dec 2019	–	762,104	801,134
	1 Jan 2018	201,152	15 Dec 2020	–	742,251	784,493
Total						**1,585,627**
Mark Bloom	1 Jan 2016	110,370	14 Dec 2018	100%	389,606	N/A [iii]
	1 Jan 2017	105,127	16 Dec 2019	–	390,021	409,995
	1 Jan 2018	108,515	15 Dec 2020	–	400,420	423,209
Total						**833,204**
Greg Miles	1 Jan 2017	133,925	16 Dec 2019	–	496,862	522,308
	1 Jan 2018	138,045	15 Dec 2020	–	509,386	538,376
Total						**1,060,684**

[i] The fair value of the rights granted under the STAR plan is calculated using the Black Scholes option pricing methodology. Fair value is also calculated on the assumption that the executive remains employed with the Group for the full period of vesting.

[iii] The market value as at 31 December 2018 is based on the closing price of Scentre Group securities of $3.90. Market value as at 31 December 2018 is not included for rights that vested on 14 December 2018.

(b) Participation in the LTAR plan: CEO, CFO and COO

The following table details performance rights held by our executive KMP under the LTAR plan.

	Effective date of grant	No. Granted	No of rights vested post measurement of hurdles	Vesting Date	% Vested	Fair Value at Grant[i] $	Market value as at 31 Dec 2018[ii] $
Peter Allen	1 Jul 2014[iii]	209,627	209,627	14 Dec 2018	100	490,728	N/A[ii]
	1 Jan 2015	474,608	510,204[iv]	14 Dec 2018	107.5[iv]	1,328,902[iv]	N/A[ii]
	1 Jan 2016	380,587	418,646[v]	14 Dec 2018	110[v]	1,343,472[v]	N/A[ii]
		397,691	437,461[v]	16 Dec 2019	110[v]	1,332,265[v]	1,706,098
	1 Jan 2017	389,357	N/A	16 Dec 2019	–	1,444,514	1,518,492
		406,476	N/A	15 Dec 2020	–	1,434,860	1,585,256
	1 Jan 2018	418,014	N/A	15 Dec 2020	–	1,542,472	1,630,255
		436,733	N/A	15 Dec 2021	–	1,532,933	1,703,259
Total							**8,143,360**
Mark Bloom	1 Jul 2014[iii]	94,331	94,331	14 Dec 2018	100	220,824	N/A[ii]
	1 Jan 2015	149,413	160,619[iv]	14 Dec 2018	107.5[iv]	418,356[iv]	N/A[ii]
	1 Jan 2016	119,815	131,796[v]	14 Dec 2018	110[v]	422,947[v]	N/A[ii]
		125,199	137,719[v]	16 Dec 2019	110[v]	419,417[v]	537,104
	1 Jan 2017	114,122	N/A	16 Dec 2019	–	423,393	445,076
		119,139	N/A	15 Dec 2020	–	420,561	464,642
	1 Jan 2018	148,328	N/A	15 Dec 2020	–	547,330	578,479
		154,969	N/A	15 Dec 2021	–	543,941	604,379
Total							**2,629,680**
Greg Miles	1 Jul 2014[vi]	52,258[vii]	52,258[vii]	14 Dec 2018	N/A	184,993	N/A[ii]
	1 Jan 2015[vi]	46,161[vii]	46,161[vii]	14 Dec 2018	N/A	163,410	N/A[ii]
		50,775[vii]	50,775[vii]	16 Dec 2019	N/A	171,112	198,023
	1 Jan 2016	211,437	232,581[v]	14 Dec 2018	110[v]	746,373[v]	N/A[ii]
		220,940	243,034[v]	16 Dec 2019	110[v]	740,149[v]	947,833
	1 Jan 2017	201,391	N/A	16 Dec 2019	–	747,161	785,425
		210,246	N/A	15 Dec 2020	–	742,168	819,959
	1 Jan 2018	242,718	N/A	15 Dec 2020	–	895,629	946,600
		253,586	N/A	15 Dec 2021	–	890,087	988,985
Total							**4,686,825**

[i] The fair value of the rights issued under the LTAR plan is calculated using the Black Scholes option pricing methodology. Fair value is also calculated on the assumption that the executive remains employed with the Group for the full period of vesting and that the relevant performance hurdles under the LTAR plan are satisfied. The fair value of rights (issued prior to the establishment of the Group in 2014) at grant date has been maintained since the value of the rights on issue immediately before the commencement of deferred trading of the securities of the Group and Westfield Corporation was the same as immediately after that date.

[ii] The market value as at 31 December 2018 is based on the closing price of Scentre Group securities of $3.90. Market value as at 31 December 2018 is not included for rights that vested on 14 December 2018.

[iii] With an effective commencement date of 1 January 2014.

[iv] The 2015 LTAR vested at 107.5% for exceeding the ROCE hurdle.

[v] The 2016 LTAR vested at 110% for exceeding both the ROCE hurdle and development return hurdle.

[vi] Greg Miles held a number of performance rights issued by the former Westfield Group and Westfield Corporation. To the extent that those outstanding rights were not satisfied by Westfield Corporation prior to his return to Australia, Scentre Group assumed the liability of the unvested proportion of those performance rights. These rights will be satisfied by the delivery of Scentre Group securities on vesting. The effective grant date of those rights was 1 January 2016. However, the vesting period will be assessed by reference to the original grant date of the rights. Vesting is not subject to any specific performance hurdles.

[vii] Represents the proportion of rights the liability of which was assumed by Scentre Group.

8.7 Remuneration governance framework

Securityholders

Board
Responsible for setting and overseeing the implementation of the remuneration policy

Human Resources Committee

Assists the Board by overseeing human resources policies and remuneration practices to ensure executives are rewarded fairly and responsibly having regard to the performance of Scentre Group.

The Committee is responsible for oversight of, and where appropriate makes recommendations to the Board on:

- Remuneration policies and practices affecting the Group.
- Remuneration packages for the executive KMP. The Committee also reviews the CEO's recommendations on the remuneration packages for the senior executive team.
- The Group's equity linked performance plans.
- Succession planning policies in relation to the senior executive team.
- Policies that promote and support equal opportunity and diversity within the Group.
- Termination entitlements of executive KMP and other members of the senior executive team.
- Fees for non-executive Directors.

The Committee is comprised of 3 independent non-executive Directors: Andrew Harmos (Chairman), Aliza Knox and Margaret Seale.

Management

Makes recommendations to the Committee regarding the Group's remuneration and human resources policies and framework.

External Advisers

The Committee is authorised to utilise the services of specialist human resources and remuneration consultants to provide advice regarding:

- Senior executive remuneration levels.
- Market trends and benchmarking.
- Human resources policies.
- Succession planning.
- Learning and organisational development.

Protocols have also been established for the engagement of remuneration consultants and the provision of remuneration recommendations free of undue influence from management.

During 2018 the Committee utilised the services of KPMG–3dc to provide services relating to remuneration trends and stakeholder engagement. No remuneration recommendations were made by KPMG–3dc.

(a) Minimum securityholding

Our executive KMP and non-executive Directors are required to maintain a minimum holding of securities.

Executive KMP are required to maintain a minimum holding of securities that is at least a one-time multiple of their fixed remuneration (before tax). New executive KMP have 3 years to meet the requirement from the date of appointment. Each of the executive KMP met the requirement at all times during the year. Performance rights are not included in the calculation of the minimum holding of securities.

To underpin the alignment of Directors and securityholders, non-executive Directors are required to maintain a minimum holding of securities equal to one year's base board fees. Non-executive Directors have 3 years from the introduction of the policy in 2016 to meet this requirement.

(b) Performance rights plan: Governance

(i) STAR plan: key elements

Element	Description
What is the purpose of the STAR plan?	The purpose of the STAR plan is to reward executives against the achievement of KPIs. Each executive's KPIs are set annually with the purpose of motivating that executive to achieve performance objectives which will contribute to the short and longer term success of the Group.
Who is eligible to participate in the STAR plan?	The STAR is a broader based plan than the LTAR. Executive KMP, other members of the senior executive team and high performing executives participate in the STAR plan.
What is the maximum STAR opportunity as a percentage of fixed remuneration?	The maximum STAR opportunity for each executive KMP is 150% of fixed remuneration. Potential maximum STARs will only be awarded in exceptional circumstances where an executive has significantly exceeded their KPIs.
How is the STAR delivered?	For senior executives in the STAR, 70% of the STAR is paid in cash with the balance (30%) delivered as performance rights which are eligible to vest at the end of year 3. There are no additional performance hurdles.
What are the STAR performance measures?	KPIs are established each year under a performance review and development system. KPIs are designed to measure both financial and non-financial performance. The objectives vary according to the role of the executive and typically relate to development, construction, retail management, corporate or strategic targets. Non-financial objectives include measures that underpin the growth and sustainability of our business including customer experience, retailer partnerships, community engagement, risk management, safety, diversity and inclusion and organisational capabilities including innovation.
How is performance against KPIs assessed?	The actual STAR awarded to an executive in respect of a financial year is determined by reference to the performance of the executive against the agreed KPIs, the corporate performance of the Group and any other aspect of the executive's performance which is considered relevant in the context of the review.
What are the performance weightings?	Performance weightings for the executive KMP are as follows: CEO: Financial 65%, Non-financial 35% CFO: Financial 70%, Non-financial 30% COO: Financial 65%, Non-financial 35%

(ii) LTAR plan: key elements

Element	Description
What is the purpose of the LTAR plan?	The LTAR plan is designed to encourage and reward superior performance by members of the senior executive team emphasising the strategic leadership role of that team. Through the LTAR plan, participants are provided with a benefit aligned with the interests of securityholders. Through a combination of performance hurdles (which are determined annually by the Board) and a 3 – 4 year vesting period, the Group aims to incentivise achievement of targeted objectives and assist in the retention of the executive KMP and other members of the senior executive team for an extended period.
Who is eligible to participate in the LTAR plan?	Only members of the senior executive team participate in the LTAR plan.
What is the LTAR grant opportunity as a percentage of fixed remuneration?	CEO 155% CFO 100% COO 120%
What were the 2018 LTAR performance hurdles?	For 2018, the performance hurdles were: **Development return hurdle (25% weighting)** The development return hurdle is designed to measure the actual incremental yield that has been generated through the completion of major developments (over $50 million) compared to Board approved feasibilities. Major developments that commenced in 2018 have Board approved feasibilities including the annual impact of the forecast incremental NOI. The forecast 2020 incremental NOI for these projects will be aggregated and a yield calculated based on the Board approved development cost for the projects. At the end of 2020, the actual incremental NOI from these projects will be aggregated and a yield calculated based on the actual development cost. These two yields will then be compared and, based on a graduated table, the percentage of LTAR that will vest will be calculated. The hurdle will be achieved at 100% if the forecast yield is met. The hurdle allows for incremental increases and decreases depending on actual achieved yield. Achievement below forecast yield will result in a reduction of the percentage of vesting. Vesting will be reduced by 10% for each incremental 0.2% lower than target yield until 85% of the target yield. Where the development return is below 85% of target yield, there will be zero vesting. Vesting will increase by 5% for every incremental 0.2% above target yield, with a cap of 125% vesting. **ROCE hurdle (75% weighting)** The ROCE hurdle enables the Board to reward the performance of management having regard to the level of returns generated on securityholder equity through a combination of improving earnings and capital management. The Group's ROCE is calculated by applying FFO for the relevant financial year as a percentage of the Group's weighted average contributed equity during the year. The ROCE hurdle operates on a graduated scale which is approved by the Board prior to awards being granted under the plan. Performance against the ROCE hurdle will be measured by reference to ROCE achieved in year three of the vesting period. Achievement of the ROCE component of the 2018 LTAR will be measured at the end of 2020 and published in the 2020 annual report. The Group does not publish details of the ROCE hurdle prior to the year in which it is tested (year 3) as this would result in the disclosure of commercially sensitive information in connection with the Group's forecast of growth in FFO and the amount of contributed equity. The hurdle will be achieved at 100% if the target ROCE is met. Again, the hurdle allows for incremental increases or decreases depending on actual achieved ROCE. Achievement below target ROCE will result in a reduction of the percentage of vesting. A 0.3% reduction below target ROCE will result in 50% vesting with any greater reduction resulting in zero vesting. A 0.7% increase in ROCE will result in vesting at the cap of 150%. From 2019, this cap has reduced to 125%.
What was the level of vesting?	Both hurdles will be measured at the end of year 3 (2020).
What performance/vesting period applies to the LTAR awards?	The awards issued under the LTAR plan are confirmed at the end of the vesting period in 2 tranches with 50% vesting at the end of year 3 and 50% at the end of year 4.
How is performance against the LTAR hurdles assessed?	Vesting in relation to a particular hurdle will occur if the measures in relation to that hurdle are achieved. Actual performance against the hurdles which apply determines the final number of awards the executive will receive at the end of the vesting period. If full qualification for awards is not achieved, there is no provision in the plan for re-testing those hurdles in subsequent years.
Can the LTAR hurdles be adjusted?	Yes. The Board reserves the right to adjust performance hurdles under the LTAR plan to reflect the impact of any capital transaction occurring during the performance period (for example: a significant equity issue or the sale or joint venture of a material part of the portfolio).
Will the 2019 LTAR hurdles change from 2018?	For 2019, the LTAR hurdles remain the same as for 2018. However, for 2019 we have reduced the potential maximum opportunity on vesting for the ROCE measure from 150% to 125%.

(iii) STAR and LTAR: Deferred equity

The Group's Performance Rights Plan governs the grant of deferred equity under the STAR plan and LTAR plans. The common features are outlined below.

Element	Description
Are there common rules under the STAR plan and LTAR plan?	Yes. The Group's Performance Rights Plan governs the grants of awards of deferred equity under the STAR plan and the LTAR plan. Having a common set of rules enables the grant of deferred equity under those plans to be administered on a consistent basis across participating executives.
What are the mechanics of the Performance Rights Plan?	Under the Performance Rights Plan, on maturity, the executive is entitled to receive, at the election of Scentre Group and for no further consideration, either: – one Scentre Group security for each performance right; or – a cash payment to the same value. The relevant common features of both plans are as follows: – based on principles and remuneration bands approved by the Board, participating executives earn the opportunity to participate in a plan and are informed of a dollar amount in relation to their participation at the beginning of each financial year in which they are offered participation. – the number of rights to be allocated is determined using the face value of Scentre Group securities, adjusted for the estimated value (based on the Group's published 1 year forecast) of distributions that may be paid on stapled securities during the vesting period. – assuming the executive remains employed by the Group through the vesting period and any applicable performance hurdles are satisfied, the executive will receive either Scentre Group securities or a cash pay-out equal to the capital value of the securities represented by the rights. The maximum level of vesting under the LTAR plan is described in "What were the 2018 LTAR performance hurdles?".
Are distributions paid during the vesting period?	Participants in the Performance Rights Plan only receive distributions on securities following vesting. As noted above, the number of rights to be allocated is determined using the face value of Scentre Group securities, adjusted for the estimated value (based on the Group's published 1 year forecast) of distributions that may be paid on stapled securities during the vesting period. No adjustments are made in relation to actual distributions paid.
How are securities delivered under the STAR and LTAR?	Where rights are settled with securities, the Group acquires the securities on-market and transfers the securities to executives.
Is the CEO grant of performance rights subject to securityholder approval?	Yes. Approval for the grant of 2019 performance rights to the CEO will be sought at the AGM on 4 April 2019.
Can retention awards be issued without hurdles?	No. All STARs and LTARs issued by the Group are subject to performance hurdles.
What happens if an executive KMP leaves the Group?	These arrangements are described in section 8.8.
What happens if there is a change of control?	Performance rights do not vest automatically as a consequence of a control transaction or a corporate restructuring. In relation to control transactions, the Board retains the discretion to accelerate the vesting date for rights issued under the plans in such circumstances.
Are there any clawback or malus provisions for at risk remuneration?	The plans contain provisions for the lapsing of unvested rights in several circumstances including if an executive engages in any act or omission constituting serious misconduct or where the Group forms the opinion, based on reasonable grounds, that the executive has committed any fraud, dishonesty or defalcation in relation to the Group.
Are there any other forfeiture events?	Unvested performance rights will also lapse in the event of a participant: – resigning or being terminated for cause; – becoming bankrupt or committing an act of bankruptcy; or – failing to comply with a "Competition and Confidentiality Condition" (being standard confidentiality, non-compete and non-solicitation conditions).
What is the hedging policy?	Participants in the plans are prohibited from entering into hedging arrangements in respect of unvested rights (or rights the subject of a holding lock) in any plan.

8.8 Executive KMP service agreements

The service agreements for each executive KMP are, in each case, a continuing arrangement inherited from the Westfield Group and date from September 2009. The terms outlined below apply to each executive KMP.

Service Agreement	Term
Contract term	No fixed term
Notice period by employee and employer	Employee: 3 months Employer: 1 month
Details of any post employment restraints	Where permitted by law, the Group imposes a further requirement that, following retirement, the executive complies with certain continuing non-compete obligations which, if not satisfied, will result in forfeiture of all unvested rights

Set out below is a summary of termination payments and treatment of the STAR and LTAR on an executive KMP leaving the Group's employment. These provisions apply to each executive KMP. The provisions of the service agreements are subject to the Corporations Act 2001. In certain circumstances, payment of the entitlements summarised below may require the approval of securityholders.

Event	Termination payment	Treatment of STAR (cash)	Treatment of STAR and LTAR (deferred equity)
Resignation and termination for cause	– Accrued statutory entitlements	– Payment of a pro-rata bonus for the relevant year may be considered in exceptional circumstances	– All unvested entitlements under the Group's performance rights plan are forfeited, without payment, on termination
Redundancy or termination by the Group (other than for cause)	– Accrued statutory entitlements – Redundancy between 12 and 24 months fixed remuneration depending on the length of service of the executive plus one month's salary in lieu of notice	– Pro-rata performance bonus to the date of termination	– Where redundancy or termination occurs more than one year prior to the end of the relevant performance period, a pro-rata vesting applies up to the date of termination. Awards of performance rights which have less than one year to the end of the relevant performance period vest in full (excluding any rights which lapsed because of a failure to satisfy a performance hurdle). Rights that have been granted for less than 6 months lapse
Death or permanent disability	– Accrued statutory entitlements	– Pro-rata performance bonus to the date of termination	– Full vesting of outstanding performance rights (excluding any rights which lapsed because of a failure to satisfy a performance hurdle)
Retirement (provided an executive has reached the age of 55 years or the aggregate of the age of the participant and the number of years in service is equal to or greater than 70 and, in each case, the executive has at least 5 years continuous service)	– Accrued statutory entitlements – The Board retains the discretion to pay up to 12 months fixed remuneration in recognition of past services rendered	– Pro-rata performance bonus to the date of termination	– The executive will continue in the plans until the date of vesting in respect of performance rights granted at least 6 months prior to the date of termination (excluding any rights which lapsed because of a failure to satisfy a performance hurdle) – In circumstances where continued participation in the plan is not permitted under the terms of the plan, the executive is entitled to a cash payment from the Group equivalent to the amount that would have been received had the executive been permitted to continue in the plan

8.9 Non-executive Director Fees

The remuneration of the non-executive Directors is determined by the Board (within a total limit set by securityholders) acting on recommendations made by the Human Resources Committee. In making recommendations to the Board, the Human Resources Committee considers advice from independent consultants and advisers on trends in non-executive director remuneration.

The aggregate pool available for payment of fees to non-executive Directors is currently $3.5 million, as approved by securityholders at the Annual General Meeting of the Company held on 25 May 2011. At the date of this report, actual aggregate fees are $2,258,250.

Non-executive Director remuneration comprises a base fee (which is inclusive of superannuation guarantee contributions) and where relevant, a Committee fee, with a higher fee for the role of Committee chair. Reimbursement is made for out of pocket expenses. No other bonuses or benefits are paid either during the tenure of a non-executive Director or on retirement. Non-executive Directors do not participate in the Group's STAR or LTAR plans.

Board fees	Chairman	Non-Executive Director
Board	$717,500	$210,125

Committee Fees	Committee Chair	Committee member
Audit and Risk Committee	$60,000	$40,000
Human Resources Committee	$60,000	$30,000
Nomination Committee	$15,000	$10,000

The base Board fee paid to the Chairman is inclusive of Committee fees. The Chairman is also Chair of the Nomination Committee for which he does not receive a Committee Chair fee. The fees paid to the non-executive Directors for 2018 are set out below.

	Year	Total Fees
Non-executive Director		
Brian Schwartz	**2018**	**717,500**
	2017	700,000
Andrew Harmos	**2018**	**280,125**
	2017	265,000
Michael Ihlein	**2018**	**280,125**
	2017	275,000
Carolyn Kay	**2018**	**250,125**
	2017	245,000
Aliza Knox	**2018**	**240,125**
	2017	235,000
Steven Lowy	**2018**	**210,125**
	2017	205,000
Margaret Seale	**2018**	**280,125**
	2017	275,000

There is no increase to base board fees for 2019. The fees paid to Committee members (excluding the Chair) of the Human Resources Committee have been increased. The increase of $10,000 is to take effect over a two-year period ($5,000 per year) commencing 1 January 2019 to be commensurate to fees paid to Committee members of the Audit and Risk Committee and reflective of the increasing workload and time commitment required of the Committee. The membership of the Board Committees is described in section 4 of the Directors' Report.

9. ASIC DISCLOSURES

Rounding

The Company is of a kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191. Accordingly, the amounts shown in the Directors' Report, the Financial Statements and Notes to the Financial Statements have been rounded to the nearest tenth of a million dollars, unless otherwise indicated. Amounts shown as 0.0 represent amounts less than $50,000 that have been rounded down.

Synchronisation of financial year

Carindale Property Trust is a consolidated entity of the Company and has a financial year ending on 30 June. By an order dated 27 June 2005 made by the Australian Securities and Investments Commission, the Directors of the Company have been relieved from compliance with the requirement to ensure that the financial year of Carindale Property Trust coincides with the financial year of the Company.

10. ASX LISTING

ASX reserves the right (but without limiting its absolute discretion) to remove Scentre Group Limited, Scentre Group Trust 1, Scentre Group Trust 2 and Scentre Group Trust 3 from the official list of the ASX if any of the shares or units comprising those stapled securities cease to be stapled together, or any equity securities are issued by a Scentre Group entity which are not stapled to the equivalent securities in the other entities.

This report is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the Directors.

Brian Schwartz AM
Chairman

Michael Ihlein
Director

20 February 2019

Independent Auditor's Report

TO THE SHAREHOLDERS OF SCENTRE GROUP LIMITED

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Building a better working world

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Scentre Group Limited (the Company) and its subsidiaries (collectively the Group), which comprises the consolidated balance sheet as at 31 December 2018, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the Directors' Declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Group's consolidated financial position as at 31 December 2018 and of its consolidated financial performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial report. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial report.

1. Shopping Centre Investment Property Portfolio – Carrying values and revaluations

Why significant	*How our audit addressed the key audit matter*

The Group holds economic interests in shopping centre investment properties which are carried at a fair value of $39.1 billion at 31 December 2018. These include shopping centres recorded directly in the consolidated statement of financial position as investment properties and indirectly through equity accounted investments as disclosed in Note 2 of the financial report. Collectively they represent 96% of total assets.
 	
Fair values were determined by the Group at the end of the reporting period with changes in fair value recognised in the income statement.
 	
We considered this to be a key audit matter as property valuations are based upon a number of assumptions, such as capitalisation rates, market rent, occupancy levels, re-leasing and capital expenditure, which are judgmental in nature. Minor changes in certain assumptions can lead to significant changes in the valuation.
 	
Note 3 of the financial report discloses the sensitivity of these valuations to changes in key assumptions.
 	
Note 3 of the financial report describes the accounting policy for these assets.
	Our audit procedures included the following:
	
	– We assessed the effectiveness of the Group's controls over the leasing process and associated tenancy reports which are used as source data in the property valuations by testing a sample of the relevant controls.
	
	– We assessed key net income, lease expiry and vacancy assumptions adopted in the valuation to the actual net income, lease expiry profile and vacancy levels of the underlying asset in considering the reasonableness of the assumptions adopted in the valuation, including re-leasing and capital expenditure requirement assumptions. Where available we corroborated these assumptions to supporting lease documentation or external market data.
	
	– We involved our real estate valuation specialists to assist with:
	  – the assessment of capitalisation rates adopted across the portfolio; and
	  – the review and assessment of the property valuation for a sample of properties based on size, geographical location and other property valuation specific risk factors.
	
	– Where relevant we assessed the reasonableness of comparable transactions utilised by the Group in the valuation process.
	
	– We assessed the qualifications, competence and objectivity of the external valuers used by the Group.
	
	– We evaluated the suitability of the valuation methodology used across the portfolio and tested the valuation reports for mathematical accuracy.

2. Property Development and Project Management Revenues

Why significant	*How our audit addressed the key audit matter*
The Group recognised $430 million of property development and project management revenue for the year ended 31 December 2018. As set out in Note 2, property development and project management revenue is recognised on a percentage of completion basis as construction progresses. The percentage of completion is determined based on the proportion of contract costs incurred to date and the estimated costs to complete. Contractual arrangements may give rise to uncertain positions which are factored into the estimated costs to complete and percentage completion. These arrangements require consideration at each balance sheet date as to management's view of the most probable outcome and reliability with which an outcome can be quantified. The determination of the costs to complete impacts the value and timing of revenue and profit recognised over the life of the project, and it is an estimate that requires significant judgment.	Our audit procedures included the following: – We assessed the effectiveness of the Group's controls and processes for accumulating property development and project management costs, for estimating costs to complete of development projects and for revenue recognition. We selected a sample of projects based on size and significance and performed the following: – Conducted a visit to the project site or reviewed management reporting and held discussions with corporate and development executives to understand the progress of developments, any material scope variations and risks and opportunities against feasibility reports. – Inspected initial approved project feasibility reports and assessed the assumptions used in forecasting project revenues and cost estimates to contracts and supplier cost estimates. – Reviewed ongoing project feasibility reports against budget and historical performance to evaluate the reasonableness of changes to feasibility revenue and cost assumptions. Where material changes to revenue and cost assumptions occurred, we agreed changes to contract variations and estimated costs to complete analysis. – Obtained quantity surveyor reports to benchmark costs to date, percentage completion and costs to complete assumptions. – Assessed the recoverability of project development spend by comparing project costs to complete against expected billings. – Confirmed inputs to the revenue calculation are appropriate and recalculated the revenue recognised in accordance with the recognition criteria set out in Australian Accounting Standards. – Reviewed contract terms in order to understand if there are any specific contractual obligations that would impact revenue recognition under AASB 15 *Revenue from Contracts with Customers*. – We also evaluated payments made after the reporting date in order to assess whether costs were accrued in the correct reporting period.

Information other than the Financial Report and Auditor's Report

The Directors are responsible for the other information. The other information comprises the information in the Group's Annual Report for the year ended 31 December 2018, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon, with the exception of the Remuneration Report and our related assurance opinion.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based upon the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial report

The Directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the Directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or cease operations, or have no realistic alternative but to do so.

Independent Auditor's Report (continued)

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting in the preparation of the financial report. We also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events and conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the disclosures in the financial report about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial report. However, future events or conditions may cause an entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the consolidated financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the audit of the Group. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We are also required to provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Directors, we determine those matters that were of most significance in the audit of the financial report of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Remuneration Report

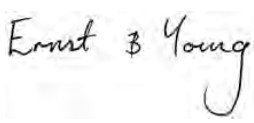
Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 12 to 29 of the Directors' Report for the year ended 31 December 2018.

In our opinion, the Remuneration Report of Scentre Group Limited for the year ended 31 December 2018, complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The Directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.



Ernst & Young

Megan Wilson
Partner

Sydney, 20 February 2019

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Income Statement

	Note	31 Dec 18 $million	31 Dec 17 $million
Revenue			
Property revenue		**2,149.2**	2,098.3
Property development and construction revenue		**429.7**	315.3
Property management income		**56.2**	56.0
		2,635.1	2,469.6
Share of after tax profits of equity accounted entities			
Property revenue		**209.2**	212.7
Property revaluations		**87.2**	160.1
Property expenses, outgoings and other costs		**(49.1)**	(50.4)
Net interest income/(expense)		**0.1**	(1.5)
Tax expense		**(12.5)**	(14.7)
	5(a)	**234.9**	306.2
Expenses			
Property expenses, outgoings and other costs		**(476.3)**	(465.8)
Property development and construction costs		**(344.4)**	(235.2)
Property management costs		**(10.1)**	(10.6)
Overheads		**(85.9)**	(88.6)
		(916.7)	(800.2)
Interest income		**3.1**	3.2
Currency gain/(loss)	11	**(29.7)**	6.4
Financing costs	12	**(685.1)**	(754.8)
Gain in respect of capital transactions	13	**40.1**	0.0
Property revaluations		**1,060.5**	3,056.7
Profit before tax		**2,342.2**	4,287.1
Tax expense	6(a)	**(46.3)**	(55.7)
Profit after tax for the period		**2,295.9**	4,231.4
Profit after tax for the period attributable to:			
– Members of Scentre Group		**2,287.2**	4,217.9
– External non controlling interests		**8.7**	13.5
Profit after tax for the period		**2,295.9**	4,231.4

		cents	cents
Basic earnings per stapled security attributable to members of Scentre Group	10(a)	**43.10**	79.41
Diluted earnings per stapled security attributable to members of Scentre Group	10(a)	**42.97**	79.18

Statement of Comprehensive Income

FOR THE YEAR ENDED 31 DECEMBER 2018

	31 Dec 18 $million	31 Dec 17 $million
Profit after tax for the period	**2,295.9**	4,231.4
Other comprehensive income		
Movement in foreign currency translation reserve [i]		
– Realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting	**26.1**	(27.6)
– Accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	**(0.7)**	(0.8)
Total comprehensive income for the period	**2,321.3**	4,203.0
Total comprehensive income attributable to:		
– Members of Scentre Group [ii]	**2,312.6**	4,189.5
– External non controlling interests	**8.7**	13.5
Total comprehensive income for the period	**2,321.3**	4,203.0

[i] This may be subsequently transferred to the profit and loss. In relation to the foreign currency translation reserve, the portion relating to the foreign operations held by SGT1, SGT2 and SGT3 may be transferred to the profit and loss depending on how the foreign operations are sold.

[ii] Total comprehensive income attributable to members of Scentre Group comprises $195.0 million (31 December 2017: $126.5 million) attributable to SGL members and $2,117.6 million (31 December 2017: $4,063.0 million) attributable to SGT1, SGT2 and SGT3 members.

Total comprehensive income attributable to members of SGT1, SGT2 and SGT3 consists of profit after tax for the period of $2,093.2 million (31 December 2017: $4,090.4 million), realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting of $25.1 million (31 December 2017: loss of $26.6 million) and accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations of $0.7 million (31 December 2017: $0.8 million).

Balance Sheet

AS AT 31 DECEMBER 2018

	Note	31 Dec 18 $million	31 Dec 17 $million
Current assets			
Cash and cash equivalents	14(a)	**206.1**	174.0
Trade debtors		**36.2**	28.0
Derivative assets	17(a)	**221.6**	35.6
Receivables		**242.9**	191.2
Other current assets		**65.8**	60.2
Total current assets		**772.6**	489.0
Non current assets			
Investment properties	3	**36,044.8**	33,493.6
Equity accounted investments	5(b)	**2,966.2**	2,622.2
Derivative assets	17(a)	**892.2**	604.2
Plant and equipment		**44.6**	33.3
Deferred tax assets	6(b)	**54.8**	51.1
Other non current assets		**99.8**	122.2
Total non current assets		**40,102.4**	36,926.6
Total assets		**40,875.0**	37,415.6
Current liabilities			
Trade creditors		**327.2**	282.2
Payables and other creditors		**793.2**	788.3
Interest bearing liabilities	15	**1,945.5**	1,595.1
Tax payable		**14.5**	30.2
Derivative liabilities	17(b)	**12.3**	8.9
Total current liabilities		**3,092.7**	2,704.7
Non current liabilities			
Payables and other creditors		**27.6**	25.6
Interest bearing liabilities	15	**12,697.6**	10,728.6
Other financial liabilities	16	**696.9**	673.7
Deferred tax liabilities	6(c)	**107.7**	108.3
Derivative liabilities	17(b)	**386.7**	393.4
Total non current liabilities		**13,916.5**	11,929.6
Total liabilities		**17,009.2**	14,634.3
Net assets		**23,865.8**	22,781.3
Equity attributable to members of Scentre Group			
Contributed equity	18(b)	**10,465.1**	10,495.2
Reserves	19	**108.7**	86.6
Retained profits	20	**13,063.9**	11,952.1
Total equity attributable to members of Scentre Group		**23,637.7**	22,533.9
Equity attributable to external non controlling interests			
Contributed equity		**75.9**	81.5
Retained profits		**152.2**	165.9
Total equity attributable to external non controlling interests		**228.1**	247.4
Total equity		**23,865.8**	22,781.3

Statement of Changes in Equity

FOR THE YEAR ENDED 31 DECEMBER 2018

	Contributed Equity $million	Reserves $million	Retained Profits $million	31 Dec 18 Total $million	Contributed Equity $million	Reserves $million	Retained Profits $million	31 Dec 17 Total $million
Changes in equity attributable to members of Scentre Group								
Balance at the beginning of the period, as reported	**10,495.2**	**86.6**	**11,952.1**	**22,533.9**	10,495.2	115.3	8,876.7	19,487.2
– Impact of changes in accounting standards [i] [ii]	**–**	**–**	**(10.3)**	**(10.3)**	–	–	–	–
Adjusted balance at the beginning of the period	**10,495.2**	**86.6**	**11,941.8**	**22,523.6**	10,495.2	115.3	8,876.7	19,487.2
– Profit after tax for the period [iii]	**–**	**–**	**2,287.2**	**2,287.2**	–	–	4,217.9	4,217.9
– Other comprehensive income [iii] [iv]	**–**	**25.4**	**–**	**25.4**	–	(28.4)	–	(28.4)
Transactions with owners in their capacity as owners								
– Buy-back and cancellation of securities and associated costs	**(30.1)**	**–**	**–**	**(30.1)**	–	–	–	–
– Movement in employee share plan benefits reserve	**–**	**(3.3)**	**–**	**(3.3)**	–	(0.3)	–	(0.3)
– Dividends/distributions paid or provided for	**–**	**–**	**(1,165.1)**	**(1,165.1)**	–	–	(1,142.5)	(1,142.5)
Closing balance of equity attributable to members of Scentre Group	**10,465.1**	**108.7**	**13,063.9**	**23,637.7**	10,495.2	86.6	11,952.1	22,533.9
Changes in equity attributable to external non controlling interests								
Balance at the beginning of the period	**81.5**	**–**	**165.9**	**247.4**	88.3	–	178.9	267.2
Profit after tax for the period attributable to external non controlling interests [iii]	**–**	**–**	**8.7**	**8.7**	–	–	13.5	13.5
Distribution paid or provided for	**–**	**–**	**(10.8)**	**(10.8)**	–	–	(12.6)	(12.6)
Decrease in external non controlling interest	**(5.6)**	**–**	**(11.6)**	**(17.2)**	(6.8)	–	(13.9)	(20.7)
Closing balance of equity attributable to external non controlling interests	**75.9**	**–**	**152.2**	**228.1**	81.5	–	165.9	247.4
Total equity	**10,541.0**	**108.7**	**13,216.1**	**23,865.8**	10,576.7	86.6	12,118.0	22,781.3

[i] The Group has adopted AASB 15 Revenue from Contracts with Customers on a modified retrospective basis. This resulted in a charge of $2.9 million to retained profits as at 1 January 2018, being the cumulative effect on initial application of the standard (refer to Note 1(c)). The comparative results for the year ended 31 December 2017 are not restated as permitted by the standard.

[ii] The Group has adopted AASB 9 Financial Instruments. This resulted in a charge of $7.4 million to retained profits as at 1 January 2018, being the cumulative effect on initial application of the standard (refer to Note 1(c)). The comparative results for the year ended 31 December 2017 are not restated as permitted by the standard.

[iii] Total comprehensive income for the period amounts to $2,321.3 million (31 December 2017: $4,203.0 million).

[iv] Movement in reserves attributable to members of SGT1, SGT2 and SGT3 comprises realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting of $25.1 million (31 December 2017: loss of $26.6 million) and accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations of $0.7 million (31 December 2017: $0.8 million).

Cash Flow Statement

	Note	31 Dec 18 $million	31 Dec 17 $million
Cash flows from operating activities			
Receipts in the course of operations (including Goods and Services Tax (GST))		**2,940.8**	2,792.8
Payments in the course of operations (including GST)		**(930.9)**	(900.9)
Dividends/distributions received from equity accounted entities		**102.3**	102.4
Net operating cash flows retained by equity accounted entities		**23.4**	23.9
Income and withholding taxes paid		**(66.6)**	(44.6)
GST paid		**(244.9)**	(215.8)
Payments of financing costs (excluding interest capitalised)		**(504.5)**	(512.0)
Interest received		**3.1**	3.2
Net cash flows from operating activities – proportionate [i]		**1,322.7**	1,249.0
Less: net operating cash flows retained by equity accounted entities		**(23.4)**	(23.9)
Net cash flows from operating activities	14(b)	**1,299.3**	1,225.1
Cash flows from investing activities			
Capital expenditure on property investments		**(749.0)**	(664.1)
Acquisition of property investments		**(774.0)**	–
Proceeds from the disposition of assets		**90.6**	369.9
Payments relating to the disposition of assets		**(29.5)**	–
Acquisition of listed securities		**(15.8)**	(20.0)
Net outflows for investments in equity accounted entities		**(167.3)**	(31.8)
Purchase of plant and equipment		**(27.1)**	(20.6)
Financing costs capitalised to qualifying development projects and construction in progress		**(43.0)**	(24.4)
Settlement of currency derivatives hedging the repatriation of foreign sales proceeds		**–**	(15.1)
Net cash flows used in investing activities		**(1,715.1)**	(406.1)
Cash flows from financing activities			
Buy-back of securities and associated costs		**(30.1)**	–
Net proceeds from interest bearing liabilities	15(c)	**1,652.7**	769.9
Repayment of other financial liabilities	28	**–**	(416.6)
Dividends/distributions paid		**(1,165.1)**	(1,142.5)
Distributions paid by controlled entities to external non controlling interests		**(11.8)**	(13.1)
Net cash flows from/(used in) financing activities		**445.7**	(802.3)
Net increase in cash and cash equivalents held		**29.9**	16.7
Add opening cash and cash equivalents brought forward		**174.0**	159.0
Effects of exchange rate changes on opening cash and cash equivalents brought forward		**2.2**	(1.7)
Cash and cash equivalents at the end of the period [ii]	14(a)	**206.1**	174.0

[i] Proportionate cash flows from operating activities includes total operating cash flows from consolidated and equity accounted entities.

[ii] Cash and cash equivalents comprises cash of $206.1 million (31 December 2017: $174.0 million) net of bank overdraft of nil (31 December 2017: nil).

Index of Notes to the Financial Statements

FOR THE YEAR ENDED 31 DECEMBER 2018

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NOTE 1 BASIS OF PREPARATION OF THE FINANCIAL REPORT

(a) Corporate information

This financial report of Scentre Group (Group), comprising Scentre Group Limited (Parent Company) and its controlled entities, for the year ended 31 December 2018 was approved in accordance with a resolution of the Board of Directors of the Parent Company.

The nature of the operations and principal activities of the Group are described in the Directors' Report.

(b) Accounting for the Group

Scentre Group was established on 30 June 2014 by the stapling of securities of each of the Parent Company, Scentre Group Trust 1 (SGT1), Scentre Group Trust 2 (SGT2) and Scentre Group Trust 3 (SGT3). The securities trade as one security on the Australian Securities Exchange (ASX) under the code SCG. The stapling transaction is referred to as the "Merger".

As a result of the securities being stapled and therefore cannot be traded separately, this financial report has been prepared based on a business combination of the Parent Company, SGT1, SGT2 and SGT3. The Parent Company for accounting purposes has control of SGT1, SGT2 and SGT3 and accordingly consolidates SGT1, SGT2 and SGT3 and their respective controlled entities.

(c) Statement of Compliance

This financial report complies with Australian Accounting Standards and International Financial Reporting Standards issued by the International Accounting Standards Board. The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following new or amended standards which became applicable on 1 January 2018:

– AASB 15 Revenue from Contracts with Customers

Impact of adoption

The Group's property development and construction revenue comprises Construction, Design and Development fees earned from Design and Construction Agreements (D&C Agreements) with third parties. In previous reporting periods, the Group recognised revenue on a percentage of completion basis for each service provided. Percentage of completion was determined based on the proportion of contract costs incurred to date and the estimated costs to complete for each service. Accordingly, the various services provided under the D&C Agreements were treated as distinct performance obligations and revenues were recognised based on their separately determined percentage of completion.

Under AASB 15, the Group continues to recognise revenue on a percentage of completion basis determined on the proportion of contract costs incurred to date and the estimated costs to complete. However, the Group will account for all services provided under the D&C Agreements as a single performance obligation, the services being part of a series of distinct goods and services that are substantially integrated with the same pattern of transfer. Accordingly, property development and construction revenue will be recognised based on the percentage of completion for that single performance obligation.

In previous reporting periods, the Group also recognised property management revenue from Management Agreements with third parties as services were provided. This is similar to revenue recognition requirements under AASB 15.

The Group has adopted AASB 15 from 1 January 2018 on a modified retrospective basis. Comparative results are not restated as permitted by the standard. The cumulative effect on initial application was a charge of $2.9 million to opening retained profits, an increase in contract liability (included in payables and other creditors on the balance sheet) of $4.1 million and an increase in deferred tax assets of $1.2 million at 1 January 2018. In addition, the impact of adopting this standard has resulted in an increase in net property development and construction income of $1.8 million (including an increase in property development and construction revenue of $16.7 million) offset by tax expense of $0.6 million, for the year ended 31 December 2018.

– AASB 9 Financial Instruments

Impact of adoption

This standard includes new requirements for classification and measurement, impairment and hedge accounting of financial instruments compared with the requirements of AASB 139 Financial Instruments: Recognition and Measurement.

The Group has adopted AASB 9 and related amendments from 1 January 2018. Comparative results are not restated as permitted by the standard. The cumulative effect on initial application of AASB 9 is a charge to opening retained profits and a decrease in trade and other receivables of $7.4 million as at 1 January 2018. This difference arises from the increase in provision for trade and other receivables.

(i) Classification and measurement

Financial assets previously held at fair value continue to be measured at fair value. Trade and other receivables are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest. These receivables continue to be measured at amortised cost. The impact of the classification of financial instruments under AASB 9 was immaterial.

The Group has floating rate borrowing facilities that have been refinanced during previous financial periods. Under AASB 9, the accounting for the modification of a financial liability that has not resulted in derecognition, requires an adjustment to the amortised cost of the liability, with any gain or loss being recognised immediately in the income statement. Under the previous standard AASB 139, the gain or loss would have been recognised over the remaining life of the borrowing by adjusting the effective interest rate. The Group has assessed that the cumulative gain on initial application is immaterial.

(ii) Impairment

Under AASB 9, the Group's accounting for impairment losses for financial assets is fundamentally changed, by replacing AASB 139's incurred loss approach with a forward-looking expected credit loss (ECL) approach. The Group has applied the simplified approach and recorded lifetime expected losses on trade and other receivables. The revised methodology for calculation of impairment of trade and other receivables resulted in an additional loss allowance of $7.4 million as at 1 January 2018.

(iii) Hedge accounting

As the Group did not have any hedge relationships that are designated as effective hedges in place as at 31 December 2017, there is no impact from the application of hedging requirements on the financial statements.

The Group has also adopted the following amendments to and clarification of interpretations of, accounting standards:

– AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions

– AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments

– AASB Interpretation 22 Foreign Currency Transactions and Advance Consideration

For the financial period, the adoption of these amended standards had no impact on the financial statements of the Group.

Certain Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Group for the year ended 31 December 2018. The impact of these new standards or amendments to the standards (to the extent relevant to the Group) and interpretations is as follows:

– AASB 16 Leases (effective from 1 January 2019)

This standard contains requirements about lease classification and recognition, measurement and presentation and disclosures of leases for lessees and lessors. This standard is not expected to have a significant financial impact on the financial statements on application.

NOTE 1 BASIS OF PREPARATION OF THE FINANCIAL REPORT (CONTINUED)

(c) Statement of Compliance (continued)

– AASB 2017-7 Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures (effective 1 January 2019)

  This amends AASB 128 Investments in Associates and Joint Ventures to clarify that an entity is required to account for long-term interests in an associate or joint venture (which in substance form part of the net investment in the associate or joint venture but to which the equity method is not applied), using AASB 9 Financial Instruments before applying the loss allocation and impairment requirements in AASB 128. This amendment is not expected to have a significant impact on the financial statements on application.

– AASB 2018-1 Amendments to Australian Accounting Standards – Annual Improvements 2015-2017 Cycle (effective 1 January 2019)

  The amendments clarify certain requirements in:

  (i) AASB 3 Business Combinations and AASB 11 Joint Arrangements – previously held interest in a joint operation;

  (ii) AASB 112 Income Taxes – income tax consequences of payments on financial instruments classified as equity; and

  (iii) AASB 123 Borrowing Costs – borrowing costs eligible for capitalisation.

  These amendments are not expected to have a significant impact on the financial statements on application.

– AASB Interpretation 23 Uncertainty over Income Tax Treatments, and relevant amending standards (effective 1 January 2019)

  The Interpretation clarifies the application of the recognition and measurement criteria in AASB 112 Income Taxes when there is uncertainty over income tax treatments. This standard is not expected to have a significant impact on the financial statements on application.

– AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (effective from 1 January 2022)

  This amends AASB 10 – Consolidated Financial Statements and AASB 128 – Investments in Associates and Joint Ventures to address an inconsistency between the requirements of AASB 10 and AASB 128 in dealing with the sale or contribution of assets between an investor and its associate or joint venture. This amendment is not expected to have a significant impact on the financial statements on application.

(d) Basis of Accounting

This financial report is a general purpose financial report, which has been prepared in accordance with the requirements of the Corporations Act 2001 (Corporations Act), Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board. This financial report has also been prepared on a historical cost basis, except for investment properties, investment properties within equity accounted investments, derivative financial instruments, financial assets at fair value through profit and loss and other financial liabilities. The carrying values of recognised assets and liabilities that are hedged with fair value hedges and are otherwise carried at cost, are adjusted to record changes in the fair values attributable to the risks that are being hedged.

This financial report is presented in Australian dollars.

(e) Significant accounting judgements, estimates and assumptions

The preparation of this financial report requires management to make judgements, estimates and assumptions. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and other various factors it believes to be reasonable under the circumstances, the results of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements, in particular, Note 2: Segment reporting, Note 3: Investment properties, Note 4: Details of shopping centre investments, Note 28: Fair value of financial assets and liabilities and Note 29: Other significant accounting policies. Actual results may differ from these estimates under different assumptions and conditions and may materially affect the Group's financial results or its financial position in future periods.

(f) Comparative information

Where applicable, certain comparative figures are restated in order to comply with the current period's presentation of the financial statements.

(g) Rounding

In accordance with ASIC Corporations (Rounding in Financial/ Directors' Reports) Instrument 2016/191, the amounts shown in this financial report have been rounded to the nearest tenth of a million dollars, unless otherwise indicated. Amounts shown as 0.0 represent amounts less than $50,000 that have been rounded down.

NOTE 2 SEGMENT REPORTING

The Group's operational segments comprise the property investment and property management and construction segments.

(a) Property investments

Property investments segment includes net property income from shopping centres. A geographic analysis of net property investment income is also provided.

(b) Property management and construction

Property management and construction segment includes external fee income from third parties, primarily property management and development fees, and associated business expenses.

Transactions such as the change in fair value of financial instruments, impact of currency hedging, interest income, financing costs, property revaluations, taxation, gain/(loss) and financing costs in respect of capital transactions and overheads are not allocated to the above segments but are included in order to facilitate a reconciliation to the Group's net profit attributable to its members.

The Group's operating segment income and expenses as well as the details of segment assets have been prepared on a proportionate format. The proportionate format presents the net income from and net assets in equity accounted properties on a gross format whereby the underlying components of net income and net assets are disclosed separately as revenues and expenses, assets and liabilities. The Group's liabilities are managed on a consolidated basis rather than by operational segments.

The proportionate format is used by management in assessing and understanding the performance and results of operations of the Group as it allows management to observe and analyse revenue and expense results and trends on a portfolio-wide basis. The assets underlying both the consolidated and the equity accounted components of the statutory income statement are similar (that is, Australian and New Zealand shopping centres), all centres are under common management and therefore the drivers of their results are similar. Accordingly, management considers that the proportionate format provides a more useful way to understand the performance of the portfolio as a whole than the statutory format.

NOTE 2 SEGMENT REPORTING (CONTINUED)

(i) Operating segment information

	Property investment $million	Property management and construction $million	31 Dec 18 $million	Property investment $million	Property management and construction $million	31 Dec 17 $million
Revenue						
Property revenue	**2,358.4**	**–**	**2,358.4**	2,311.0	–	2,311.0
Property development and construction revenue	**–**	**429.7**	**429.7**	–	315.3	315.3
Property management income	**–**	**56.2**	**56.2**	–	56.0	56.0
	2,358.4	**485.9**	**2,844.3**	2,311.0	371.3	2,682.3
Expenses						
Property expenses, outgoings and other costs	**(525.4)**	**–**	**(525.4)**	(516.2)	–	(516.2)
Property development and construction costs	**–**	**(344.4)**	**(344.4)**	–	(235.2)	(235.2)
Property management costs	**–**	**(10.1)**	**(10.1)**	–	(10.6)	(10.6)
	(525.4)	**(354.5)**	**(879.9)**	(516.2)	(245.8)	(762.0)
Segment income and expenses	**1,833.0**	**131.4**	**1,964.4**	1,794.8	125.5	1,920.3
Shopping centre investments	**38,351.0**	**–**	**38,351.0**	35,387.4	–	35,387.4
Development projects and construction in progress	**750.1**	**–**	**750.1**	841.4	–	841.4
Segment assets [i]	**39,101.1**	**–**	**39,101.1**	36,228.8	–	36,228.8

[i] Includes equity accounted segment assets of $3,056.3 million (31 December 2017: $2,735.2 million).

(ii) Geographic information – Total revenue

	Australia $million	New Zealand $million	31 Dec 18 $million	Australia $million	New Zealand $million	31 Dec 17 $million
Property revenue [i]	**2,256.7**	**101.7**	**2,358.4**	2,198.7	112.3	2,311.0
Property development and construction revenue [ii]	**306.4**	**123.3**	**429.7**	307.7	7.6	315.3
Property management income	**51.8**	**4.4**	**56.2**	51.3	4.7	56.0
Total revenue	**2,614.9**	**229.4**	**2,844.3**	2,557.7	124.6	2,682.3

[i] Non-lease component included in property revenue amounted to $293.1 million (31 December 2017: $292.3 million).

[ii] Property development and construction revenue recognised during the year that was included in the contract liability balance (presented in current payables and other creditors on the balance sheet) at the beginning of the year, amounted to $83.6 million. No amounts were recognised during the year that relate to performance obligations satisfied or partially satisfied in previous periods.

Receivables and contract liabilities from contracts with customers

As at 31 December 2018, receivables from contracts with customers amounted to $47.6 million and contract liabilities from contracts with customers amounted to $107.4 million.

Transaction price allocated to the remaining performance obligations

As at 31 December 2018, the aggregate amount of the transaction price allocated to remaining performance obligations is $245.3 million. The Group will recognise this as revenue as property development and construction projects are completed, which is expected to occur over the next 6-24 months. These amounts do not include contracts that have an expected duration of one year or less and any portion of the transaction price that is variable and constrained.

(iii) Geographic information – Net property income

	Australia $million	New Zealand $million	31 Dec 18 $million	Australia $million	New Zealand $million	31 Dec 17 $million
Shopping centre base rent and other property income	**2,323.2**	**103.0**	**2,426.2**	2,251.4	113.4	2,364.8
Amortisation of tenant allowances	**(66.5)**	**(1.3)**	**(67.8)**	(52.7)	(1.1)	(53.8)
Property revenue	**2,256.7**	**101.7**	**2,358.4**	2,198.7	112.3	2,311.0
Property expenses, outgoings and other costs	**(503.8)**	**(21.6)**	**(525.4)**	(489.5)	(26.7)	(516.2)
Net property income	**1,752.9**	**80.1**	**1,833.0**	1,709.2	85.6	1,794.8

(iv) Geographic information – Non current assets

	Australia $million	New Zealand $million	31 Dec 18 $million	Australia $million	New Zealand $million	31 Dec 17 $million
Non current assets	**37,739.0**	**1,347.5**	**39,086.5**	35,131.1	1,097.0	36,228.1
Group non current assets			**1,015.9**			698.5
Total non current assets			**40,102.4**			36,926.6
Additions to segment non current assets during the period			**1,705.8**			811.2

NOTE 2 SEGMENT REPORTING (CONTINUED)

(v) Reconciliation of segment information

The Group's operating segment income and expenses as well as the details of segment assets have been prepared on a proportionate format. The composition of the Group's consolidated and equity accounted details are provided below:

	Consolidated $million	**Equity Accounted $million**	**31 Dec 18 $million**	Consolidated $million	Equity Accounted $million	31 Dec 17 $million
Revenue						
Property revenue	**2,149.2**	**209.2**	**2,358.4**	2,098.3	212.7	2,311.0
Property development and construction revenue	**429.7**	**–**	**429.7**	315.3	–	315.3
Property management income	**56.2**	**–**	**56.2**	56.0	–	56.0
	2,635.1	**209.2**	**2,844.3**	2,469.6	212.7	2,682.3
Expenses						
Property expenses, outgoings and other costs	**(476.3)**	**(49.1)**	**(525.4)**	(465.8)	(50.4)	(516.2)
Property development and construction costs	**(344.4)**	**–**	**(344.4)**	(235.2)	–	(235.2)
Property management costs	**(10.1)**	**–**	**(10.1)**	(10.6)	–	(10.6)
	(830.8)	**(49.1)**	**(879.9)**	(711.6)	(50.4)	(762.0)
Segment income and expenses	**1,804.3**	**160.1**	**1,964.4**	1,758.0	162.3	1,920.3
Overheads			**(85.9)**			(88.6)
Interest income			**3.3**			3.5
Currency gain/(loss)			**(29.7)**			6.4
Financing costs			**(685.2)**			(756.6)
Gain in respect of capital transactions			**40.1**			0.0
Property revaluations			**1,147.7**			3,216.8
Tax expense – current			**(60.6)**			(65.6)
Tax benefit/(expense) – deferred			**1.8**			(4.8)
External non controlling interests			**(8.7)**			(13.5)
Net profit attributable to members of the Group [(i)]			**2,287.2**			4,217.9

(i) Net profit attributable to members of the Group was $2,287.2 million (31 December 2017: $4,217.9 million). Net profit after tax for the year which includes profit attributable to external non controlling interests of $8.7 million (31 December 2017: $13.5 million) was $2,295.9 million (31 December 2017: $4,231.4 million).

	Consolidated $million	**Equity Accounted $million**	**31 Dec 18 $million**	Consolidated $million	Equity Accounted $million	31 Dec 17 $million
Shopping centre investments	**35,522.6**	**2,828.4**	**38,351.0**	32,761.5	2,625.9	35,387.4
Development projects and construction in progress	**522.2**	**227.9**	**750.1**	732.1	109.3	841.4
Segment assets	**36,044.8**	**3,056.3**	**39,101.1**	33,493.6	2,735.2	36,228.8
Cash and cash equivalents	**206.1**	**7.8**	**213.9**	174.0	2.6	176.6
Deferred tax assets	**54.8**	**–**	**54.8**	51.1	–	51.1
Receivables on currency derivatives	**920.2**	**–**	**920.2**	394.4	–	394.4
Other assets	**682.9**	**9.4**	**692.3**	680.3	4.8	685.1
Total assets	**37,908.8**	**3,073.5**	**40,982.3**	34,793.4	2,742.6	37,536.0
Interest bearing liabilities						
– Current	**1,945.0**	**–**	**1,945.0**	1,594.5	–	1,594.5
– Non current	**12,657.7**	**–**	**12,657.7**	10,687.9	–	10,687.9
Finance lease liabilities	**40.4**	**0.4**	**40.8**	41.3	19.2	60.5
Other financial liabilities	**696.9**	**–**	**696.9**	673.7	–	673.7
Deferred tax liabilities	**107.7**	**69.3**	**177.0**	108.3	63.1	171.4
Payables on currency derivatives	**55.7**	**–**	**55.7**	140.8	–	140.8
Other liabilities	**1,505.8**	**37.6**	**1,543.4**	1,387.8	38.1	1,425.9
Total liabilities	**17,009.2**	**107.3**	**17,116.5**	14,634.3	120.4	14,754.7
Net assets	**20,899.6**	**2,966.2**	**23,865.8**	20,159.1	2,622.2	22,781.3

Accounting Policies

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and can be reliably measured.

Leases

Rental income from investment properties is accounted for on a straight line basis over the lease term. Contingent rental income is recognised as income in the period in which it is earned. If not received at balance date, revenue is reflected on the balance sheet as a receivable and carried at its recoverable amount.

Certain tenant allowances that are classified as lease incentives are recorded as part of investment properties and amortised over the term of the lease. The amortisation is recorded against property revenue.

Revenue from contracts with customers

Property development and construction revenue comprises Construction, Design and Development fees earned from Design and Construction Agreements (D&C Agreements) with third parties. The Group accounts for all services provided under the D&C Agreements as a single performance obligation, the services being part of a series of distinct goods and services that are substantially integrated with the same pattern of transfer, and revenue is recognised based on the percentage of completion for that single performance obligation. Percentage of completion is determined based on the proportion of contract costs incurred to date and the estimated contract costs to complete. Accordingly, significant judgments and estimates are made in determining (i) variable consideration which may be included in the transaction price; (ii) costs incurred to date that reflects the Group's progress in satisfying its performance obligations under the contract; and (iii) the total contract costs.

Differences between amounts recognised as revenue and amounts billed to customers are recognised as contract assets or liabilities on the balance sheet. Progress billings to customers include charges for work completed, materials and/or goods delivered (which may include uninstalled materials and/or goods) or expenditure incurred. Amounts billed to customers are usually due within 10 days.

Property management revenue from third parties is recognised as services are provided.

Recoveries of outgoings from lessees are recognised as services are provided.

Revenue from the sale of properties is recognised when the buyer obtains control of the asset. Control is transferred when the buyer has the ability to direct the use of and substantially obtain the economic benefits from the asset.

All other revenues are recognised as services are provided.

Expenses

Costs to obtain or fulfil a contract with customers

The Group recognises as an asset the incremental costs of obtaining a contract with a customer and all costs of fulfilling a contract, if the Group expects to recover those costs. Capitalised costs are amortised, with the expense recognised on a systemic basis that depicts the transfer of goods and services to customers. An impairment loss is recognised if the carrying amount of the asset exceeds the remaining amount of consideration the Group expects to receive less costs that have not yet been recognised as expenses.

All other expenses are brought to account on an accruals basis.

	31 Dec 18 $million	31 Dec 17 $million
NOTE 3 INVESTMENT PROPERTIES		
Shopping centre investments	**35,522.6**	32,761.5
Development projects and construction in progress	**522.2**	732.1
Total investment properties	**36,044.8**	33,493.6
Movement in total investment properties		
Balance at the beginning of the year	**33,493.6**	29,872.3
Acquisition of properties	**774.0**	–
Disposal of properties	**(5.8)**	(146.6)
Redevelopment costs	**722.5**	713.0
Net revaluation increment	**1,060.5**	3,056.7
Retranslation of foreign operations	**–**	(1.8)
Balance at the end of the year [(i)]	**36,044.8**	33,493.6

(i) The fair value of investment properties at the end of the year of $36,044.8 million (31 December 2017: $33,493.6 million) comprises investment properties at market value of $36,004.4 million (31 December 2017: $33,452.3 million) and ground leases included as finance leases of $40.4 million (31 December 2017: $41.3 million).

NOTE 3 INVESTMENT PROPERTIES (CONTINUED)

Accounting Policies

Investment properties

The Group's investment properties include shopping centre investments, development projects and construction in progress.

(i) Shopping centre investments

The Group's shopping centre investment properties represent completed centres comprising freehold and leasehold land, buildings and leasehold improvements.

Land and buildings are considered as having the function of an investment and therefore are regarded as a composite asset, the overall value of which is influenced by many factors, the most prominent being income yield, rather than by the diminution in value of the building content due to effluxion of time. Accordingly, the buildings and all components thereof, including integral plant and equipment, are not depreciated.

Initially, shopping centre investment properties are measured at cost including transaction costs. Subsequent to initial recognition, the Group's portfolio of shopping centre investment properties are stated at fair value. Gains and losses arising from changes in the fair values of shopping centre investment properties are included in the income statement in the year in which they arise. Any gains or losses on the sale of an investment property are recognised in the income statement in the year of sale.

At each reporting date, the carrying value of the portfolio of shopping centre investment properties is assessed by the Directors and where the carrying value differs materially from the Directors' assessment of fair value, an adjustment to the carrying value is recorded as appropriate.

The Directors' assessment of fair value of each shopping centre takes into account the latest independent valuations generally prepared annually, with updates taking into account any changes in capitalisation rate, underlying income and valuations of comparable centres. In determining the fair value, the capitalisation of net income method and the discounting of future cash flows to their present value have been used, which are based upon assumptions and judgements in relation to future rental income, capitalisation rate and make reference to market evidence of transaction prices for similar properties.

(ii) Development projects and construction in progress

The Group's development projects and construction in progress include costs incurred for the current and future redevelopment and expansion of new and existing shopping centre investments, and are classified as inventories when intended for sale to third parties. Development projects and construction in progress include capitalised construction and development costs, payments and advances to contractors and where applicable, borrowing costs incurred on qualifying developments.

The Directors' assessment of fair value of each development project and construction in progress that meets the definition of an investment property, takes into account the expected costs to complete, the stage of completion, expected underlying income and yield of the developments. From time to time, during a development, the Directors may commission an independent valuation of the development project. On completion, the development projects are reclassified to shopping centre investments and an independent valuation is obtained.

Independent valuations are conducted in accordance with guidelines set by the International Valuation Standards Committee for Australian and New Zealand properties.

It is the Group's policy to appoint a number of qualified independent valuers and that no individual valuer is appointed to appraise an individual property for greater than three consecutive years. The following qualified independent valuers were appointed by the Group to carry out property appraisals for the current financial year:

Australian shopping centres

- CBRE Valuations Pty Limited
- CIVAS (NSW) Pty Limited (Colliers International)
- Cushman & Wakefield Pty Ltd
- Jones Lang LaSalle Advisory Services Pty Ltd
- Knight Frank Australia Pty Ltd
- Urbis Valuations Pty Ltd

New Zealand shopping centres

- CBRE Limited
- Colliers International New Zealand Limited
- Jones Lang La Salle Limited

The determination of a property valuation is judgemental. The key assumptions in the valuation are the estimated capitalisation rate and net operating income. Movements in capitalisation rate for each property would result in changes to the fair value. For example, an increase in capitalisation rate would result in a decrease in the fair value of the properties while a decrease in capitalisation rate would result in an increase in the fair value of the properties.

Refer to Notes 4(a) and 4(b) for a summary of the capitalisation rate for the property portfolio.

NOTE 4 DETAILS OF SHOPPING CENTRE INVESTMENTS

	Note	**31 Dec 18 $million**	31 Dec 17 $million
Consolidated Australian shopping centres	(a)	**35,522.6**	32,761.5
Total consolidated shopping centres		**35,522.6**	32,761.5
Equity accounted Australian shopping centres	(a)	**1,617.5**	1,522.8
Equity accounted New Zealand shopping centres	(b)	**1,210.9**	1,103.1
Total equity accounted shopping centres		**2,828.4**	2,625.9
		38,351.0	35,387.4

NOTE 4 DETAILS OF SHOPPING CENTRE INVESTMENTS (CONTINUED)

(a) Shopping centre investments – Australia

Australian shopping centres		**Ownership Interest 31 Dec 18 %**		Ownership Interest 31 Dec 17 %		**Carrying Amount 31 Dec 18 $million**	**Retail Capitalisation Rates 31 Dec 18 %**	Carrying Amount 31 Dec 17 $million	Retail Capitalisation Rates 31 Dec 17 %
AUSTRALIAN CAPITAL TERRITORY									
Belconnen	**C**	**100.0**	**C**	100.0	C	**935.0**	**5.50%**	935.0	5.50%
Woden	**C**	**50.0**	**C**	50.0	C	**353.0**	**5.50%**	350.0	5.50%
NEW SOUTH WALES									
Bondi Junction	**C**	**100.0**	**C**	100.0	C	**3,293.4**	**4.13%**	3,143.6	4.25%
Burwood	**C**	**100.0**	**C**	100.0	C	**1,105.2**	**5.00%**	1,095.2	5.00%
Chatswood	**C**	**100.0**	**C**	100.0	C	**1,397.1**	**4.50%**	1,367.1	4.50%
Eastgardens [(i)]	**C**	**50.0**	**C**	–	–	**720.0**	**4.25%**	–	–
Hornsby	**C**	**100.0**	**C**	100.0	C	**1,095.2**	**5.25%**	1,095.2	5.25%
Hurstville	**C**	**50.0**	**C**	50.0	C	**440.0**	**5.25%**	437.5	5.25%
Kotara [(ii)]	**C**	**100.0**	**C**	100.0	C	**1,095.0**	**5.00%**	815.0	5.75%
Liverpool	**C**	**50.0**	**C**	50.0	C	**560.1**	**5.25%**	550.1	5.25%
Miranda	**C**	**50.0**	**C**	50.0	C	**1,310.5**	**4.38%**	1,270.5	4.50%
Mt Druitt	**E**	**50.0**	**E**	50.0	E	**332.5**	**5.50%**	315.0	5.50%
Parramatta	**C**	**50.0**	**C**	50.0	C	**1,103.8**	**4.50%**	1,034.3	4.75%
Penrith	**C**	**50.0**	**C**	50.0	C	**756.5**	**4.75%**	750.0	4.75%
Sydney [(iii)]	**C**	**100.0**	**C**	100.0	C	**5,360.8**	**4.11%**	5,027.4	4.12%
Tuggerah	**C**	**100.0**	**C**	100.0	C	**805.0**	**5.38%**	785.0	5.50%
Warringah Mall	**C**	**50.0**	**C**	50.0	C	**937.5**	**5.00%**	930.0	5.00%
QUEENSLAND									
Carindale [(iv)]	**C**	**50.0**	**C**	50.0	C	**814.3**	**5.00%**	813.6	5.25%
Chermside	**C**	**100.0**	**C**	100.0	C	**2,838.5**	**4.13%**	2,615.0	4.50%
Coomera [(ii)]	**C**	**50.0**	**C**	–	–	**222.5**	**5.50%**	–	–
Garden City	**C**	**100.0**	**C**	100.0	C	**1,730.0**	**4.75%**	1,705.0	4.75%
Helensvale	**C**	**50.0**	**C**	50.0	C	**237.5**	**5.75%**	237.5	5.75%
North Lakes	**C**	**50.0**	**C**	50.0	C	**490.0**	**5.00%**	475.0	5.00%
SOUTH AUSTRALIA									
Marion	**C**	**50.0**	**C**	50.0	C	**737.5**	**5.13%**	737.5	5.25%
Tea Tree Plaza [(ii)]	**E**	**50.0**	**E**	50.0	E	**410.0**	**5.38%**	400.3	5.50%
West Lakes	**C**	**50.0**	**C**	50.0	C	**247.5**	**6.00%**	245.0	6.00%
VICTORIA									
Airport West	**C**	**50.0**	**C**	50.0	C	**213.7**	**5.75%**	213.5	5.75%
Doncaster	**C**	**50.0**	**C**	50.0	C	**1,210.0**	**4.50%**	1,200.0	4.50%
Fountain Gate	**C**	**100.0**	**C**	100.0	C	**2,285.0**	**4.13%**	2,090.0	4.50%
Geelong	**C**	**50.0**	**C**	50.0	C	**266.5**	**5.65%**	265.0	5.75%
Knox	**C**	**50.0**	**C**	50.0	C	**577.5**	**5.50%**	576.5	5.50%
Plenty Valley [(ii)]	**C**	**50.0**	**C**	50.0	C	**263.0**	**5.25%**	261.0	5.25%
Southland	**E**	**50.0**	**E**	50.0	E	**875.0**	**4.62%**	807.5	5.00%
WESTERN AUSTRALIA									
Carousel [(ii)]	**C**	**100.0**	**C**	100.0	C	**1,475.0**	**5.00%**	1,080.0	5.50%
Stirling	**C**	**100.0**	**C**	100.0	C	**331.0**	**6.25%**	331.0	6.25%
Whitford City	**C**	**50.0**	**C**	50.0	C	**315.0**	**5.75%**	330.0	5.75%
Total Australian portfolio						**37,140.1**	**4.71%** [(v)]	34,284.3	4.86% [(v)]
Consolidated						**35,522.6**		32,761.5	
Equity accounted						**1,617.5**		1,522.8	
Total Australian portfolio						**37,140.1**		34,284.3	

C **Consolidated** – Centres which are held through controlled entities or are held directly and jointly as tenants in common and are treated as joint operations. For joint operations, the contractual arrangements establish that the parties share all the liabilities, obligations, costs and expenses in their ownership proportion. The allocation of revenue and expenses is based on the ownership interest in the joint arrangement.

E **Equity Accounted** – Centres held through a separate vehicle with joint control are treated as a joint venture and accounted for under the equity method of accounting.

(i) Property acquired during the year.

(ii) Developments completed during the year.

(iii) Sydney comprises Sydney Central Plaza, the Sydney City retail complex and office towers. As at 31 December 2018, the weighted average capitalisation rate of Sydney was 4.31%, comprising retail 4.11% (Sydney City 4.0% and Sydney Central Plaza 4.5%) and office 4.92%. As at 31 December 2017, the weighted average capitalisation rate of Sydney was 4.32%, comprising retail 4.12% (Sydney City 4.0% and Sydney Central Plaza 4.5%) and office 4.95%.

(iv) Carindale Property Trust (CPT) has a 50% interest in this shopping centre. As at 31 December 2018, the Group has a 59.6% interest in CPT (31 December 2017: 56.6%).

(v) Weighted average capitalisation rate including non-retail assets.

NOTE 4 DETAILS OF SHOPPING CENTRE INVESTMENTS (CONTINUED)

(b) Shopping centre investments – New Zealand

New Zealand shopping centres	**Ownership Interest 31 Dec 18 %**	Ownership Interest 31 Dec 17 %	**Carrying Amount 31 Dec 18 NZ$million**	**Retail Capitalisation Rates 31 Dec 18 %**	Carrying Amount 31 Dec 17 NZ$million	Retail Capitalisation Rates 31 Dec 17 %
Albany	**51.0 E**	51.0 E	**308.0**	**5.88%**	301.4	5.88%
Manukau	**51.0 E**	51.0 E	**219.3**	**6.38%**	189.0	7.00%
Newmarket (i)	**51.0 E**	51.0 E	**141.7**	**6.63%**	141.8	6.63%
Riccarton	**51.0 E**	51.0 E	**334.1**	**6.25%**	316.2	6.50%
St Lukes	**51.0 E**	51.0 E	**265.2**	**6.25%**	265.2	6.25%
Total New Zealand portfolio			**1,268.3**	**6.24%** (ii)	1,213.6	6.39% (ii)
Exchange rate			**1.0474**		1.1002	
Total New Zealand portfolio in A$			**1,210.9**		1,103.1	
Equity accounted			**1,210.9**		1,103.1	
Total New Zealand portfolio			**1,210.9**		1,103.1	

E **Equity Accounted** – Centres held through a separate vehicle with joint control are treated as a joint venture and accounted for under the equity method of accounting.

(i) Property currently under redevelopment.

(ii) Weighted average capitalisation rate including non-retail assets.

NOTE 5 DETAILS OF EQUITY ACCOUNTED INVESTMENTS

	31 Dec 18 $million	31 Dec 17 $million
(a) Share of equity accounted entities' net profit and comprehensive income		
Share of after tax profit of equity accounted entities	**234.9**	306.2
Other comprehensive income/(loss) (i)	**27.1**	(36.4)
Share of total comprehensive income of equity accounted entities	**262.0**	269.8

(i) Relates to the net exchange difference on translation of equity accounted foreign operations.

(b) Share of equity accounted entities' assets and liabilities

The Group's equity accounted investments of $2,966.2 million (31 December 2017: $2,622.2 million) comprise investments in joint ventures in Australia and New Zealand represented by equity of $2,165.0 million (31 December 2017: $2,021.9 million) and interest bearing loans of $801.2 million (31 December 2017: $600.3 million). Inter-entity interest charges on the loans amounted to $24.0 million (31 December 2017: $20.9 million).

(c) Equity accounted entities economic interest

Name of investments	Type of equity	Balance date	Economic interest **31 Dec 18**	Economic interest 31 Dec 17
Australian investments (i)				
Mt Druitt (ii)	Trust units	30 Jun	**50.0%**	50.0%
Southland (ii)	Trust units	30 Jun	**50.0%**	50.0%
Tea Tree Plaza (ii)	Trust units	30 Jun	**50.0%**	50.0%
New Zealand investments (i) (iii)				
Albany	Shares	31 Dec	**51.0%**	51.0%
Manukau	Shares	31 Dec	**51.0%**	51.0%
Newmarket	Shares	31 Dec	**51.0%**	51.0%
Riccarton	Shares	31 Dec	**51.0%**	51.0%
St Lukes	Shares	31 Dec	**51.0%**	51.0%

(i) All equity accounted property partnerships, trusts and companies operate solely as retail property investors.

(ii) Notwithstanding that the financial year of these investments ends on 30 June, the consolidated financial statements have been made out so as to include the accounts for a period coinciding with the financial year of the Parent Company being 31 December.

(iii) Under the Shareholders' Agreement, the Group and GIC, Singapore's sovereign wealth fund, each has two representatives in the Shareholders' Committee with voting power in proportion to each shareholder's shareholding. While the Group has a 51% interest in these entities, 75% of the votes is required to pass a resolution. Accordingly, the Group's 51% interest in these investments is accounted for using the equity accounted method.

	31 Dec 18 $million	31 Dec 17 $million

NOTE 6 TAXATION

(a) Tax expense

Current tax expense – underlying operations	**(51.0)**	(53.9)
Deferred tax benefit/(expense)	**4.7**	(1.8)
	(46.3)	(55.7)
The prima facie tax on profit before tax is reconciled to the income tax expense provided in the financial statements as follows:		
Profit before income tax	**2,342.2**	4,287.1
Less: Trust income not taxable for the Group – tax payable by members	**(2,204.6)**	(4,203.8)
	137.6	83.3
Prima facie tax expense at 30%	**(41.3)**	(25.0)
Benefit from utilisation of capital losses from prior years	**24.5**	–
Tax on inter-entity transactions	**(32.8)**	(36.8)
Deferred tax release on New Zealand capital transactions	**–**	6.7
Other	**3.3**	(0.6)
Tax expense	**(46.3)**	(55.7)

(b) Deferred tax assets

Provisions and accruals	**54.8**	51.1
	54.8	51.1

(c) Deferred tax liabilities

Tax effect of book value in excess of the tax cost base of investment properties	**44.1**	42.0
Other timing differences	**63.6**	66.3
	107.7	108.3

Accounting Policies

Taxation

The Group comprises taxable and non taxable entities. Income tax expense is only recognised in respect of taxable entities.

(i) Taxable and non taxable entities of the Group

The Parent Company and its Australian resident wholly owned subsidiaries have formed a tax consolidated group. The Parent Company has entered into tax funding arrangements with its Australian resident wholly owned subsidiaries, pursuant to which each subsidiary has agreed to pay or receive a tax equivalent amount based on the net taxable amount or loss of the subsidiary at the current tax rate. The tax consolidated group has applied the modified separate taxpayer approach in determining the appropriate amount of current taxes to allocate to each entity.

SGT1 and SGT2 are not liable for Australian income tax provided that members are presently entitled to the income of each Trust as determined in accordance with its constitution. The members of each Trust are taxable on their share of the taxable income of each Trust.

SGT3 is treated as a company for Australian tax purposes and accordingly is a taxable entity.

The Group's New Zealand resident entities are subject to New Zealand tax.

(ii) Accounting for income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities, calculated using the tax rates and tax laws enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred tax is provided on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date. Deferred tax relating to items recognised in other comprehensive income or directly in equity is recognised in other comprehensive income or directly in equity and not the income statement.

	Note	31 Dec 18 $million	31 Dec 17 $million
NOTE 7 SIGNIFICANT ITEMS			
The following significant items are relevant in explaining the financial performance of the business:			
Property revaluations		**1,060.5**	3,056.7
Equity accounted property revaluations		**87.2**	160.1
Net fair value gain/(loss) and associated credit risk on currency derivatives that do not qualify for hedge accounting	11	**(30.4)**	5.6
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	11	**0.7**	0.8
Net fair value loss on interest rate hedges that do not qualify for hedge accounting	12	**(133.6)**	(158.4)
Net modification gain on refinanced borrowing facilities	12	**9.9**	–
Net fair value loss on other financial liabilities	12	**(23.2)**	(77.8)
Gain in respect of capital transactions	13	**40.1**	0.0
Deferred tax benefit/(expense)	6(a)	**4.7**	(1.8)
Equity accounted deferred tax expense		**(2.9)**	(3.0)

NOTE 8 DIVIDENDS/DISTRIBUTIONS

(a) Final dividend/distributions for the year

Dividend/distributions in respect of the 6 months to 31 December 2018		
Parent Company: 2.96 cents per share (31 December 2017: 2.35 cents per share) [i]	**157.0**	124.8
SGT1: 3.40 cents per unit (31 December 2017: 2.60 cents per unit)	**180.3**	138.1
SGT2: 4.60 cents per unit (31 December 2017: 5.92 cents per unit)	**244.0**	314.5
SGT3: 0.12 cents per unit (31 December 2017: nil) [i]	**6.4**	–
Scentre Group 11.08 cents per stapled security (31 December 2017: 10.87 cents per stapled security)	**587.7**	577.4

[i] Dividends to be paid/paid by the Parent Company and distributions to be paid/paid by SGT3 are franked at the corporate tax rate of 30%.

Interim dividend/distributions of 11.08 cents were paid on 31 August 2018. Final dividend/distributions will be paid on 28 February 2019. The record date for the final dividends/distributions was 5pm, 14 February 2019. The Group does not operate a Distribution Reinvestment Plan.

	31 Dec 18 $million	31 Dec 17 $million
(b) Dividends/distributions paid during the year		
Dividend/distributions in respect of the 6 months to 30 June 2018		
Parent Company: nil (30 June 2017: nil)	**–**	–
SGT1: 3.34 cents per unit (30 June 2017: 4.15 cents per unit)	**177.2**	220.4
SGT2: 7.74 cents per unit (30 June 2017: 6.71 cents per unit)	**410.5**	356.4
SGT3: nil (30 June 2017: nil)	**–**	–
Dividend/distributions in respect of the 6 months to 31 December 2017		
Parent Company: 2.35 cents per share (31 December 2016: 2.70 cents per share) [i]	**124.8**	143.4
SGT1: 2.60 cents per unit (31 December 2016: 3.45 cents per unit)	**138.1**	183.3
SGT2: 5.92 cents per unit (31 December 2016: 4.33 cents per unit)	**314.5**	230.0
SGT3: nil (31 December 2016: 0.17 cents per unit) [i]	**–**	9.0
	1,165.1	1,142.5

[i] Dividends paid by the Parent Company and distributions paid by SGT3 are franked at the corporate tax rate of 30%.

(c) Franking credit balance of the Group

As at 31 December 2018, franking credits available for use in future distributions amount to $113.3 million (31 December 2017: $132.3 million).

	31 Dec 18 $	31 Dec 17 $

NOTE 9 NET TANGIBLE ASSET BACKING

Net tangible asset backing per security	**4.46**	4.24

Net tangible asset backing per security is calculated by dividing total equity attributable to stapled security holders of the Group by the number of securities on issue. The number of securities used in the calculation of the consolidated net tangible asset backing is 5,304,295,769 (31 December 2017: 5,311,595,241).

	31 Dec 18 cents	31 Dec 17 cents

NOTE 10 EARNINGS PER SECURITY

(a) Summary of earnings per security

Basic earnings per stapled security attributable to members of Scentre Group	**43.10**	79.41
Diluted earnings per stapled security attributable to members of Scentre Group	**42.97**	79.18
Basic earnings per SGL share	**3.66**	2.40
Diluted earnings per SGL share	**3.64**	2.39

(b) Income and security data

The following reflects the income data used in the calculations of basic and diluted earnings per stapled security:

	31 Dec 18 $million	31 Dec 17 $million
Earnings used in calculating basic earnings per stapled security [i] [ii]	**2,287.2**	4,217.9
Adjustment to earnings on options which are considered dilutive	**–**	–
Earnings used in calculating diluted earnings per stapled security	**2,287.2**	4,217.9

[i] Refer to the income statement for details of the profit after tax attributable to members of the Group.

[ii] Comprises net profit attributable to SGL of $194.0 million (31 December 2017: $127.5 million) and net profit attributable to members of SGT1, SGT2 and SGT3 of $2,093.2 million (31 December 2017: $4,090.4 million).

	31 Dec 18 $million	31 Dec 17 $million
Earnings used in calculating basic earnings per SGL share	**194.0**	127.5
Adjustment to earnings on options which are considered dilutive	**–**	–
Earnings used in calculating diluted earnings per SGL share	**194.0**	127.5

The following reflects the security data used in the calculations of basic and diluted earnings per stapled security:

	31 Dec 18 Number of securities	31 Dec 17 Number of securities
Weighted average number of ordinary securities used in calculating basic earnings per stapled security	**5,307,143,233**	5,311,595,241
Weighted average number of potential employee performance rights which, if securities were issued, would be dilutive [iii]	**15,960,855**	15,076,608
Adjusted weighted average number of ordinary securities used in calculating diluted earnings per stapled security	**5,323,104,088**	5,326,671,849

[iii] As at 31 December 2018, 10,973,955 (31 December 2017: 10,951,853) actual employee performance rights were on hand.

(c) Conversions, calls, subscription, issues or buy-back after 31 December 2018

There have been no conversions to, calls of, subscriptions for, issuance of new or potential ordinary securities or buy-back of securities since the reporting date and before the completion of this report.

Accounting Policies

Earnings per security

Basic earnings per security is calculated as net profit attributable to members divided by the weighted average number of ordinary securities. Diluted earnings per security is calculated as net profit attributable to members adjusted for any profit recognised in the period in relation to dilutive potential ordinary securities, divided by the weighted average number of ordinary securities and dilutive potential ordinary securities.

	31 Dec 18 $million	31 Dec 17 $million
NOTE 11 CURRENCY GAIN/(LOSS)		
Net fair value gain/(loss) and associated credit risk on currency derivatives that do not qualify for hedge accounting	**(30.4)**	5.6
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	**0.7**	0.8
	(29.7)	6.4

Accounting Policies

Translation of foreign currency transactions

Foreign currency transactions are converted to Australian dollars at exchange rates ruling at the date of those transactions. Amounts payable and receivable in foreign currency at balance date are translated to Australian dollars at exchange rates ruling at that date. Exchange differences arising on the settlement of or on translating amounts payable or receivable in foreign currency at rates different from those at which they were translated on initial recognition, are recognised in the income statement in the period in which they arise, except where hedge accounting is applied.

Refer to Notes 17 and 19 for other items included in currency gain/(loss).

	31 Dec 18 $million	31 Dec 17 $million
NOTE 12 FINANCING COSTS		
Gross financing costs (excluding net fair value gain/(loss) on interest rate hedges that do not qualify for hedge accounting)	**(543.3)**	(505.8)
Financing costs capitalised to qualifying development projects and construction in progress	**43.0**	24.4
Financing costs	**(500.3)**	(481.4)
Net fair value loss on interest rate hedges that do not qualify for hedge accounting	**(133.6)**	(158.4)
Net modification gain on refinanced borrowing facilities	**9.9**	–
Finance leases interest expense	**(2.3)**	(2.2)
Interest expense on other financial liabilities	**(35.6)**	(35.0)
Net fair value loss on other financial liabilities	**(23.2)**	(77.8)
	(685.1)	(754.8)

Accounting Policies

Financing costs

Financing costs include interest, amortisation of discounts or premiums relating to borrowings and other costs incurred in connection with the arrangement of borrowings. Financing costs are expensed as incurred unless they relate to a qualifying asset. A qualifying asset is an asset which generally takes more than 12 months to get ready for its intended use or sale. In these circumstances, the financing costs are capitalised to the cost of the asset. Where funds are borrowed by the Group for the acquisition or construction of a qualifying asset, the financing costs are capitalised.

Refer to Note 17 for other items included in financing costs.

	31 Dec 18 $million	31 Dec 17 $million

NOTE 13 GAIN IN RESPECT OF CAPITAL TRANSACTIONS

Asset dispositions and capital costs		
– proceeds from asset dispositions	**90.6**	149.0
– less: carrying value of assets disposed and other capital costs	**(50.5)**	(149.0)
Gain in respect of capital transactions	**40.1**	0.0

NOTE 14 CASH AND CASH EQUIVALENTS

(a) Components of cash and cash equivalents		
Cash	**206.1**	174.0
Bank overdrafts	**–**	–
Total cash and cash equivalents	**206.1**	174.0
(b) Reconciliation of profit after tax to net cash flows from operating activities		
Profit after tax	**2,295.9**	4,231.4
Property revaluations	**(1,060.5)**	(3,056.7)
Share of equity accounted profit in excess of dividends/distributions received	**(132.6)**	(203.8)
Deferred tax expense/(benefit)	**(4.7)**	1.8
Net fair value loss/(gain) and associated credit risk on currency derivatives	**30.4**	(5.6)
Exchange differences (including amounts transferred from foreign currency translation reserve) on realisation of net investment in foreign operations	**(0.7)**	(0.8)
Net fair value loss on interest rate hedges that do not qualify for hedge accounting	**133.6**	158.4
Net modification gain on refinanced borrowing facilities	**(9.9)**	–
Net fair value loss on other financial liabilities	**23.2**	77.8
Gain from capital transactions	**(40.1)**	0.0
Decrease in working capital attributable to operating activities	**64.7**	22.6
Net cash flows from operating activities	**1,299.3**	1,225.1

Accounting Policies

Cash and cash equivalents

Cash and cash equivalents on the balance sheet comprise cash at bank and on hand and short term deposits with an original maturity of 90 days or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses (if any) are recognised in the income statement.

For the purposes of the cash flow statement, cash and cash equivalents includes cash on hand and at bank, short term money market deposits and bank accepted bills of exchange readily converted to cash net of bank overdrafts. Bank overdrafts are carried at the principal amount.

	31 Dec 18 $million	31 Dec 17 $million
NOTE 15 INTEREST BEARING LIABILITIES		
Current		
Unsecured		
Commercial paper and uncommitted facilities		
– A$ denominated	**729.9**	979.6
Notes payable		
– € denominated	**–**	614.9
– US$ denominated	**1,064.7**	–
– A$ denominated	**150.4**	–
Finance leases	**0.5**	0.6
	1,945.5	1,595.1
Non current		
Unsecured		
Bank loans		
– A$ denominated	**2,350.0**	828.0
– NZ$ denominated	**771.0**	595.7
Notes payable		
– € denominated	**4,430.8**	3,425.1
– US$ denominated	**2,981.3**	3,649.6
– £ denominated	**1,448.2**	1,384.3
– A$ denominated	**430.6**	581.7
Finance leases	**39.9**	40.7
Secured		
Bank loans and mortgages		
– A$ denominated	**245.8**	223.5
	12,697.6	10,728.6
Total interest bearing liabilities	**14,643.1**	12,323.7

The Group maintains a range of interest bearing liabilities. The sources of funding are spread over various counterparties to minimise credit risk and the terms of the instruments are negotiated to achieve a balance between capital availability and the cost of debt. Refer to Note 23 for details relating to fixed rate debt and derivatives which hedge floating rate liabilities.

	31 Dec 18 $million	31 Dec 17 $million
(a) Summary of financing facilities		
Committed financing facilities available to the Group:		
Total financing facilities at the end of the year	**16,556.4**	14,891.9
Total interest bearing liabilities	**(14,643.1)**	(12,323.7)
Total bank guarantees	**(59.1)**	(62.4)
Available financing facilities	**1,854.2**	2,505.8
Cash	**206.1**	174.0
Financing resources available at the end of the year	**2,060.3**	2,679.8

These facilities comprise fixed and floating rate notes and both secured and unsecured interest only floating rate facilities. Certain facilities are also subject to negative pledge arrangements which require the Group to comply with specific minimum financial and non-financial requirements. These facilities exclude the property linked notes liability of $696.9 million (31 December 2017: $673.7 million). Amounts which are denominated in foreign currencies are translated at exchange rates ruling at balance date.

	Maturity Date	**Committed financing facilities 31 Dec 18 $million**	**Total interest bearing liabilities 31 Dec 18 $million**	Committed financing facilities 31 Dec 17 $million	Total interest bearing liabilities 31 Dec 17 $million
(b) Maturity profile of financing facilities and interest bearing liabilities					
Year ending December 2018 [i]		**–**	**–**	615.5	1,595.1
Year ending December 2019 [i]		**1,215.7**	**1,945.5**	1,311.8	1,211.8
Year ending December 2020		**1,887.2**	**1,267.9**	2,167.9	1,824.4
Year ending December 2021		**2,410.3**	**1,968.2**	2,590.7	1,498.3
Year ending December 2022		**2,005.1**	**1,181.0**	2,423.5	723.5
Year ending December 2023		**2,813.8**	**2,556.2**	2,080.8	1,768.9
Year ending December 2024		**2,159.8**	**1,659.8**	922.9	922.9
Year ending December 2025		**1,779.7**	**1,779.7**	1,409.2	1,409.2
Year ending December 2026		**724.7**	**724.7**	692.7	692.7
Year ending December 2027		**710.4**	**710.4**	640.9	640.9
Year ending December 2028		**814.5**	**814.5**	0.6	0.6
Due thereafter		**35.2**	**35.2**	35.4	35.4
		16,556.4	**14,643.1**	14,891.9	12,323.7
Total financing facilities and interest bearing liabilities are comprised of:					
Unsecured notes payable – € [ii]	Jul 20 to Apr 28	**4,430.8**	**4,430.8**	4,040.0	4,040.0
Unsecured notes payable – US$ [ii]	Nov 19 to Mar 27	**4,046.0**	**4,046.0**	3,649.6	3,649.6
Unsecured notes payable – £ [ii]	Apr 22 to Jul 26	**1,448.2**	**1,448.2**	1,384.3	1,384.3
Unsecured notes payable – A$	Oct 19 to Jul 22	**581.0**	**581.0**	581.7	581.7
Unsecured bank loan facilities	Mar 20 to Sep 25	**5,750.0**	**3,121.0**	4,950.0	1,423.7
Unsecured commercial paper and uncommitted facility [i]		**–**	**729.9**	–	979.6
Secured bank loans and mortgages	Aug 20	**260.0**	**245.8**	245.0	223.5
Finance leases		**40.4**	**40.4**	41.3	41.3
		16,556.4	**14,643.1**	14,891.9	12,323.7

[i] Drawings on the Group's commercial paper program and uncommitted facilities are in addition to the Group's committed facilities and are classified as current interest bearing liabilities. These drawings may be refinanced by non current unsecured bank loan facilities.

[ii] The €, US$ and £ denominated notes payables are economically hedged using cross currency swaps with the same principal values to convert into A$ payables.

The Group consolidates Carindale Property Trust and the borrowings in this trust are secured by a mortgage over the trust's interest in Westfield Carindale and sundry property. The recorded fair value of Westfield Carindale and sundry property is $828.5 million (31 December 2017: $813.6 million) compared to borrowings of $245.8 million (31 December 2017: $223.5 million).

	31 Dec 18 $million	31 Dec 17 $million
(c) Movements in interest bearing liabilities and currency derivatives hedging borrowings in foreign currency, arising from financing activities		
Balance at the beginning of the year	**12,070.1**	11,340.0
Net proceeds from interest bearing liabilities	**1,652.7**	769.9
Effects of exchange rate changes and fair value loss/(gains) on currency derivatives	**55.8**	(39.8)
Balance at the end of the year [i]	**13,778.6**	12,070.1

[i] Comprises total interest bearing liabilities of $14,643.1 million (31 December 2017: $12,323.7 million) less net receivables on currency derivatives hedging borrowings in foreign currency of $864.5 million (31 December 2017: $253.6 million) as disclosed in Note 17.

Accounting Policies

Interest bearing liabilities

Interest bearing liabilities are recognised initially at the fair value of the consideration received less any directly attributable transaction costs. Subsequent to initial recognition, interest bearing liabilities are recorded at amortised cost using the effective interest rate method.

Interest bearing liabilities are classified as current liabilities where the liability has been drawn under a financing facility which expires within one year. Amounts drawn under financing facilities which expire after one year are classified as non current.

Financing costs for interest bearing liabilities are recognised as an expense on an accruals basis.

The fair value of the Group's interest bearing borrowings as disclosed in Note 28 are determined as follows:

– Fair value of quoted notes and bonds is based on price quotations at the reporting date.

– The fair value of unquoted instruments, loans from banks, finance leases and other non current financial liabilities is estimated by discounting future cash flows using rates that approximate the Group's borrowing rate at the balance date, for debt with similar maturity, credit risk and terms.

	31 Dec 18 $million	31 Dec 17 $million

NOTE 16 OTHER FINANCIAL LIABILITIES

Property linked notes	**696.9**	673.7
	696.9	673.7

The Property Linked Notes (Notes) are designed to provide returns based on the economic performance of certain Westfield Australian super regional and regional shopping centres. When the Notes were originally issued, these centres were: Parramatta, Hornsby and Burwood in Sydney, Southland in Melbourne, Tea Tree Plaza in Adelaide and Belconnen in the Australian Capital Territory (collectively the Westfield centres). The return under the Notes is based on a proportional interest, in respect of the relevant Westfield centre, as specified in the Note (Reference Property Interest). Redemption events under the Notes include non performance events by the Issuer, changes in tax laws and sale of the relevant Westfield centre. The Notes may also be redeemed at a Review Date.

The redemption value of a Note is effectively calculated as the market value of the Note holder's Reference Property Interest at the date of redemption and the final coupon (if applicable). The Notes were initially recorded at fair value and are subsequently remeasured at fair value each reporting period. The fair value of the Notes is determined by reference to the fair value of the relevant Westfield centre with the gains or losses recorded through the income statement. Accordingly, the gains or losses recorded through the income statement are directly related to the revaluation of the relevant Westfield centre. On redemption, the obligation to pay the amount due on the Notes can, in certain circumstances, be satisfied by the transfer of the underlying Reference Property Interest to the Note holder. The Notes are subordinated to all other secured and unsecured debt of the Group. The Notes are guaranteed (on a subordinated basis) by the Parent Company and RE1 Limited as responsible entity of SGT2.

In the prior year, $416.6 million of the Notes were repaid and terminated. The review dates for the remaining Notes linked to Parramatta, Southland and Hornsby are 31 December 2021, 2022 and 2023, respectively. The coupon on the remaining Notes is payable quarterly on 15 March, 15 June, 15 September and 15 December each year for as long as the Notes remain outstanding.

Accounting Policies

Other financial liabilities

Other financial liabilities pertain to property linked notes. Where there is a minimum distribution entitlement and/or the redemption terms include the settlement for cash on redemption, the instrument is classified as a financial liability and is designated as fair value through the income statement.

The fair value of property linked notes is determined by reference to the fair value of the underlying linked property investments.

	31 Dec 18 $million	31 Dec 17 $million

NOTE 17 DERIVATIVE ASSETS AND LIABILITIES

(a) Derivative assets

Current

Receivables on currency derivatives hedging borrowings in foreign currency	**220.3**	35.6
Receivables on interest rate derivatives	**1.3**	–
	221.6	35.6

Non current

Receivables on currency derivatives hedging borrowings in foreign currency	**699.9**	358.8
Receivables on interest rate derivatives	**192.3**	245.4
	892.2	604.2

(b) Derivative liabilities

Current

Payables on interest rate derivatives	**12.3**	8.9
	12.3	8.9

Non current

Payables on currency derivatives hedging borrowings in foreign currency	**55.7**	140.8
Payables on interest rate derivatives	**331.0**	252.6
	386.7	393.4

The Group presents the fair value mark to market of its derivative assets and derivative liabilities on a gross basis. However, certain derivative assets and liabilities are subject to legally enforceable master netting arrangements. As at 31 December 2018, when these netting arrangements are applied to the derivative portfolio, derivative assets of $1,113.8 million would be reduced by $364.5 million to the net amount of $749.3 million and derivative liabilities of $399.0 million would be reduced by $364.5 million to the net amount of $34.5 million. As at 31 December 2017, derivative assets of $639.8 million would be reduced by $369.6 million to the net amount of $270.2 million and derivative liabilities of $402.3 million would be reduced by $369.6 million to the net amount of $32.7 million.

Accounting Policies

Derivative financial instruments

The Group utilises derivative financial instruments, including forward exchange contracts, interest rate options and currency and interest rate swaps to manage the risks associated with foreign currency and interest rate fluctuations. Such derivative financial instruments are recognised at fair value.

The Group has set defined policies and implemented a comprehensive hedging program to manage interest and exchange rate risks. Derivative instruments are transacted to achieve the economic outcomes in line with the Group's treasury policy and hedging program. Derivative instruments are not transacted for speculative purposes. Accounting standards require detailed compliance with documentation, designation and effectiveness parameters before a derivative financial instrument is deemed to qualify for hedge accounting treatment. As these requirements are not met, derivative instruments, other than any currency derivatives that hedge net investments in foreign operations, are deemed not to qualify for hedge accounting and changes in fair value are recorded in the income statement.

Gains or losses arising on the movements in the fair value of currency derivatives which hedge net investments in foreign operations are recognised in the foreign currency translation reserve. Where a currency derivative, or portion thereof, is deemed an ineffective hedge for accounting purposes, gains or losses thereon are recognised in the income statement. On disposal of a net investment in foreign operations, the cumulative gains or losses recognised previously in the foreign currency translation reserve are transferred to the income statement.

The fair value of derivatives has been determined with reference to market observable inputs for contracts with similar maturity profiles. The valuation is a present value calculation which incorporates interest rate curves, foreign exchange spot and forward rates, option volatilities and the credit quality of all counterparties.

	31 Dec 18 Number of securities	31 Dec 17 Number of securities
NOTE 18 CONTRIBUTED EQUITY		
(a) Number of securities on issue		
Balance at the beginning of the year	**5,311,595,241**	5,311,595,241
Buy-back and cancellation of securities	**(7,299,472)**	–
Balance at the end of the year [(i)]	**5,304,295,769**	5,311,595,241

(i) The number of securities on issue as at 31 December 2018 was 5,316,997,206 (31 December 2017: 5,324,296,678). The Scentre Executive Option Plan Trust holds 12,701,437 (31 December 2017: 12,701,437) securities in the Group, which have been consolidated and eliminated in accordance with accounting standards.

Holders of Scentre Group stapled securities have the right to receive declared dividends from the Parent Company and distributions from SGT1, SGT2 and SGT3 and, in the event of winding up the Parent Company, SGT1, SGT2 and SGT3, to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up on stapled securities held.

Holders of stapled securities can vote their shares and units in accordance with the Corporations Act, either in person or by proxy, at a meeting of any of the Parent Company, SGT1, SGT2 and SGT3 (as the case may be).

	31 Dec 18 $million	31 Dec 17 $million
(b) Amount of contributed equity attributable to members of Scentre Group		
Balance at the beginning of the year	**10,495.2**	10,495.2
Buy-back and cancellation of securities and associated costs	**(30.1)**	–
Balance at the end of the year [(i)]	**10,465.1**	10,495.2

(i) Comprises contributed equity attributable to SGL of $673.3 million (31 December 2017: $674.4 million) and contributed equity attributable to members of SGT1, SGT2 and SGT3 of $9,791.8 million (31 December 2017: $9,820.8 million).

Accounting Policies

Contributed equity

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising from the issue of ordinary securities are recognised directly in equity as a reduction of the proceeds received.

	31 Dec 18 $million	31 Dec 17 $million

NOTE 19 RESERVES

Total reserves of the Group		
Foreign currency translation reserve	**98.1**	72.7
Employee share plan benefits reserve	**10.6**	13.9
Balance at the end of the year [i]	**108.7**	86.6
Movement in foreign currency translation reserve		
The foreign currency translation reserve is used to record net exchange differences arising from the translation of the net investments, including qualifying hedges, in foreign controlled and equity accounted entities.		
Balance at the beginning of the year	**72.7**	101.1
Foreign exchange movement		
– realised and unrealised differences on the translation of investment in foreign operations and asset hedging derivatives which qualify for hedge accounting [ii]	**26.1**	(27.6)
– accumulated exchange differences transferred from foreign currency translation reserve on realisation of net investment in foreign operations	**(0.7)**	(0.8)
Balance at the end of the year	**98.1**	72.7

[i] Comprises reserves attributable to SGL of $10.5 million (31 December 2017: $12.8 million) and reserves attributable to members of SGT1, SGT2 and SGT3 of $98.2 million (31 December 2017: $73.8 million).

[ii] Comprises net exchange gain on translation of foreign operations of $26.1 million (31 December 2017: loss of $33.9 million) and net realised and unrealised gain on asset hedging derivatives which qualify for hedge accounting of nil (31 December 2017: $6.3 million).

Accounting Policies

Translation of accounts of foreign operations

The functional and presentation currency of the Parent Company and its Australian subsidiaries is Australian dollars. The functional currency of the New Zealand entities is New Zealand dollars. The presentation currency of the overseas entities is Australian dollars to enable the consolidated financial statements of the Group to be reported in a common currency.

The balance sheets of foreign subsidiaries and equity accounted investments are translated at exchange rates ruling at balance date and the income statement of foreign subsidiaries and equity accounted investments are translated at average exchange rates for the period. Exchange differences arising on translation of the interests in foreign operations are taken directly to the foreign currency translation reserve.

Refer to Note 17 for other items included in foreign currency translation reserve.

	Note	31 Dec 18 $million	31 Dec 17 $million
Movement in employee share plan benefits reserve			
The employee share plan benefits reserve is used to record the value of share based payments provided to employees as part of their remuneration.			
Balance at the beginning of the year		**13.9**	14.2
– movement in equity settled share based payment		**(3.3)**	(0.3)
Balance at the end of the year		**10.6**	13.9

NOTE 20 RETAINED PROFITS

Movement in retained profits attributable to members of Scentre Group			
Balance at the beginning of the year, as reported		**11,952.1**	8,876.7
Impact of changes in accounting standards	1(c)	**(10.3)**	–
Adjusted balance at the beginning of the year		**11,941.8**	8,876.7
Profit after tax for the period		**2,287.2**	4,217.9
Dividends/distributions paid	8(b)	**(1,165.1)**	(1,142.5)
Balance at the end of the year [i]		**13,063.9**	11,952.1

[i] Comprises retained profits attributable to SGL of $201.0 million (31 December 2017: $139.4 million) and retained profits attributable to members of SGT1, SGT2 and SGT3 of $12,862.9 million (31 December 2017: $11,812.7 million).

NOTE 21 CAPITAL RISK MANAGEMENT

The Group seeks to manage its capital requirements to maximise value to members through the mix of debt and equity funding, while ensuring that Group entities:

- comply with capital and distribution requirements of their constitutions and/or trust deeds;
- comply with capital requirements of relevant regulatory authorities;
- maintain strong investment grade credit ratings; and
- continue to operate as going concerns.

The Group assesses the adequacy of its capital requirements, cost of capital and gearing (i.e. debt/equity mix) as part of its broader strategic plan. The Group continuously reviews its capital structure to ensure:

- sufficient funds and financing facilities, on a cost effective basis, are available to implement the Group's property development and business acquisition strategies;
- financing facilities for unforeseen contingencies are maintained; and
- dividends/distributions to members are maintained within the stated distribution policy.

The Group is able to alter its capital mix by issuing new stapled securities and hybrid securities, establishing a distribution reinvestment plan, electing to have the distribution reinvestment underwritten, adjusting the amount of distributions paid to members, activating a security buy-back program, divesting assets or adjusting the timing of capital expenditure for its property redevelopment pipeline.

The Group also protects its equity in assets by taking out insurance.

NOTE 22 FINANCIAL RISK MANAGEMENT

The Group's principal financial instruments comprise cash, receivables, payables, interest bearing liabilities, other financial liabilities and derivative financial instruments.

The Group manages its exposure to key financial risks in accordance with the Group's treasury risk management policies. These policies have been established to manage the key financial risks such as interest rate, foreign exchange, counterparty credit and liquidity.

The Group's treasury risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group through its training and procedures, has developed a control environment in which relevant treasury and finance personnel understand their roles and obligations in respect of the Group's treasury management objectives.

The Group has an established Board approved risk management framework including policies, procedures, limits and allowed types of derivative financial instruments. The Audit and Risk Committee reviews and oversees management's compliance with these policies, procedures and limits. The Audit and Risk Committee is assisted in its oversight role by the Group's Executive Risk Management Committee.

The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates, foreign exchange, liquidity and credit risk. The Group enters into derivative financial instruments, principally interest rate swaps, interest rate options, cross currency swaps, forward exchange contracts and currency options. The purpose of these transactions is to manage the interest rate and currency risks arising from the Group's operations, cash flows, interest bearing liabilities and its net investments in foreign operations. The Group seeks to deal only with creditworthy counterparties and these assessments are regularly reviewed. Liquidity risk is monitored through the use of future rolling cash flow forecasts.

NOTE 23 INTEREST RATE RISK MANAGEMENT

The Group is exposed to interest rate risk on its borrowings and derivative financial instruments. This risk is managed by the Group by maintaining an appropriate mix between fixed and floating rate interest bearing liabilities. Fixed rate debt is achieved either through fixed rate debt funding or through the use of derivative financial instruments in accordance with a Board approved policy. These activities are evaluated regularly to determine that the Group is not exposed to interest rate movements that could adversely impact its ability to meet its financial obligations and to comply with its borrowing covenants.

NOTE 23 INTEREST RATE RISK MANAGEMENT (CONTINUED)

Summary of interest rate positions at balance date

The Group has interest rate risk on borrowings which are typically floating rate debt or notional borrowings entered into under currency derivatives. The exposures at reporting date together with the interest rate risk management transactions are as follows:

(a) Interest payable and receivable exposures

	Note	**31 Dec 18 $million**	31 Dec 17 $million
Principal amounts of all interest bearing liabilities and derivative liabilities:			
Interest bearing liabilities	15	**14,643.1**	12,323.7
Share of equity accounted entities' interest bearing liabilities	2(v)	**0.4**	19.2
Cross currency swaps			
– A$	24(b)	**8,998.3**	8,781.4
Total interest bearing liabilities		**23,641.8**	21,124.3
Principal amounts of all interest bearing assets and derivative assets:			
Cross currency swaps			
– £800.0 million (31 December 2017: £800.0 million)	24(b)	**1,448.2**	1,384.3
– US$2,850.0 million (31 December 2017: US$2,850.0 million)	24(b)	**4,046.0**	3,649.6
– €2,700.0 million (31 December 2017: €2,600.0 million)	24(b)	**4,395.2**	3,996.9
Cash and cash equivalents	2(v)	**213.9**	176.6
Total interest bearing assets		**10,103.3**	9,207.4
Principal amounts of net interest bearing liabilities		**13,538.5**	11,916.9
Principal amounts of fixed interest rate liabilities:			
Fixed rate debt			
– A$	23(b)	**580.0**	580.0
– £800.0 million (31 December 2017: £800.0 million)	23(b)	**1,448.2**	1,384.3
– US$2,850.0 million (31 December 2017: US$2,850.0 million)	23(b)	**4,046.0**	3,649.6
– €2,700.0 million (31 December 2017: €2,200.0 million)	23(b)	**4,395.2**	3,382.0
Fixed rate derivatives			
– A$	23(b)	**8,297.3**	8,678.5
– NZ$510.0 million (31 December 2017: NZ$500.0 million)	23(b)	**486.9**	454.5
Interest rate options			
– NZ$70.0 million (31 December 2017: NZ$70.0 million)	23(c)	**66.8**	63.6
Principal amounts on which interest rate payable exposure has been hedged		**19,320.4**	18,192.5
Principal amounts of fixed interest rate assets:			
Fixed rate derivatives			
– A$	23(b)	**150.0**	150.0
– £800.0 million (31 December 2017: £800.0 million)	23(b)	**1,448.2**	1,384.3
– US$2,850.0 million (31 December 2017: US$2,850.0 million)	23(b)	**4,046.0**	3,649.6
– €2,700.0 million (31 December 2017: €2,200.0 million)	23(b)	**4,395.2**	3,382.0
Principal amounts on which interest rate receivable exposure has been hedged		**10,039.4**	8,565.9
Principal amounts of net interest bearing liabilities hedged by fixed rate debt and derivatives		**9,281.0**	9,626.6

At 31 December 2018, the Group has hedged 69% of its net interest bearing liabilities by way of fixed rate borrowings, interest rate swaps and interest rate options of varying durations. The remaining 31% is exposed to floating rates on a principal payable of $4,257.5 million, at an average interest rate of 3.4%, including margin (31 December 2017: 81% hedged with floating exposure on a principal payable of $2,290.3 million at an average interest rate of 3.1%). Changes to the fair value of derivatives due to interest rate movements are set out in Notes 23(b) and 23(c).

Interest rate sensitivity

The sensitivity of interest expense to changes in the floating exposure interest rate is proportional. An increase or decrease in interest rates of 100 basis points would increase or decrease interest expense by $42.6 million (31 December 2017: $22.9 million) for each year thereafter.

Summary of interest rate positions at balance date (continued)

(b) Fixed rate debt and interest rate swaps

Notional principal or contract amounts and contracted rates of the Group's fixed rate debt and interest rate swaps:

	Interest rate swaps		**Fixed rate borrowings**		Interest rate swaps		Fixed rate borrowings	
Fixed rate debt and swaps contracted as at the reporting date and outstanding at	**31 Dec 18 Notional principal amount million**	**31 Dec 18 Average rate**	**31 Dec 18 Principal amount million**	**31 Dec 18 Average rate including margin**	31 Dec 17 Notional principal amount million	31 Dec 17 Average rate	31 Dec 17 Principal amount million	31 Dec 17 Average rate including margin
A$ payable								
31 December 2017	**–**	**–**	**–**	**–**	A$(8,678.5)	2.88%	A$(580.0)	4.71%
31 December 2018	**A$(8,297.3)**	**2.86%**	**A$(580.0)**	**4.71%**	A$(8,265.0)	2.86%	A$(580.0)	4.71%
31 December 2019	**A$(8,035.4)**	**2.81%**	**A$(430.0)**	**4.60%**	A$(7,755.0)	2.82%	A$(430.0)	4.60%
31 December 2020	**A$(6,523.4)**	**2.84%**	**A$(430.0)**	**4.60%**	A$(6,245.0)	2.85%	A$(430.0)	4.60%
31 December 2021	**A$(6,071.5)**	**2.87%**	**A$(30.0)**	**5.96%**	A$(5,795.0)	2.88%	A$(30.0)	5.96%
31 December 2022	**A$(5,059.6)**	**2.83%**	**–**	**–**	A$(4,785.0)	2.84%	–	–
31 December 2023	**A$(3,785.8)**	**2.83%**	**–**	**–**	A$(3,515.0)	2.84%	–	–
31 December 2024	**A$(2,767.9)**	**2.84%**	**–**	**–**	A$(2,500.0)	2.86%	–	–
31 December 2025	**A$(1,500.0)**	**2.94%**	**–**	**–**	A$(1,500.0)	2.94%	–	–
31 December 2026	**A$(500.0)**	**2.74%**	**–**	**–**	A$(500.0)	2.74%	–	–
NZ$ payable								
31 December 2017	**–**	**–**	**–**	**–**	NZ$(500.0)	3.28%	–	–
31 December 2018	**NZ$(510.0)**	**3.08%**	**–**	**–**	NZ$(410.0)	3.24%	–	–
31 December 2019	**NZ$(530.0)**	**3.14%**	**–**	**–**	NZ$(430.0)	3.31%	–	–
31 December 2020	**NZ$(430.0)**	**3.21%**	**–**	**–**	NZ$(380.0)	3.28%	–	–
31 December 2021	**NZ$(350.0)**	**3.14%**	**–**	**–**	NZ$(300.0)	3.22%	–	–
31 December 2022	**NZ$(300.0)**	**3.09%**	**–**	**–**	NZ$(250.0)	3.17%	–	–
31 December 2023	**NZ$(200.0)**	**3.15%**	**–**	**–**	NZ$(200.0)	3.15%	–	–
31 December 2024	**NZ$(150.0)**	**3.18%**	**–**	**–**	NZ$(150.0)	3.18%	–	–
31 December 2025	**NZ$(50.0)**	**3.29%**	**–**	**–**	NZ$(50.0)	3.29%	–	–
A$ receivable								
31 December 2017	**–**	**–**	**–**	**–**	A$150.0	3.05%	–	–
31 December 2018	**A$150.0**	**3.05%**	**–**	**–**	A$150.0	3.05%	–	–
£ receivable/(payable)								
31 December 2017	**–**	**–**	**–**	**–**	£800.0	3.13%	£(800.0)	3.13%
31 December 2018	**£800.0**	**3.13%**	**£(800.0)**	**3.13%**	£800.0	3.13%	£(800.0)	3.13%
31 December 2019	**£800.0**	**3.13%**	**£(800.0)**	**3.13%**	£800.0	3.13%	£(800.0)	3.13%
31 December 2020	**£800.0**	**3.13%**	**£(800.0)**	**3.13%**	£800.0	3.13%	£(800.0)	3.13%
31 December 2021	**£800.0**	**3.13%**	**£(800.0)**	**3.13%**	£800.0	3.13%	£(800.0)	3.13%
31 December 2022	**£400.0**	**3.88%**	**£(400.0)**	**3.88%**	£400.0	3.88%	£(400.0)	3.88%
31 December 2023	**£400.0**	**3.88%**	**£(400.0)**	**3.88%**	£400.0	3.88%	£(400.0)	3.88%
31 December 2024	**£400.0**	**3.88%**	**£(400.0)**	**3.88%**	£400.0	3.88%	£(400.0)	3.88%
31 December 2025	**£400.0**	**3.88%**	**£(400.0)**	**3.88%**	£400.0	3.88%	£(400.0)	3.88%
US$ receivable/(payable)								
31 December 2017	**–**	**–**	**–**	**–**	US$2,850.0	3.01%	US$(2,850.0)	3.01%
31 December 2018	**US$2,850.0**	**3.01%**	**US$(2,850.0)**	**3.01%**	US$2,850.0	3.01%	US$(2,850.0)	3.01%
31 December 2019	**US$2,100.0**	**3.23%**	**US$(2,100.0)**	**3.23%**	US$2,100.0	3.23%	US$(2,100.0)	3.23%
31 December 2020	**US$2,100.0**	**3.23%**	**US$(2,100.0)**	**3.23%**	US$2,100.0	3.23%	US$(2,100.0)	3.23%
31 December 2021	**US$1,600.0**	**3.50%**	**US$(1,600.0)**	**3.50%**	US$1,600.0	3.50%	US$(1,600.0)	3.50%
31 December 2022	**US$1,600.0**	**3.50%**	**US$(1,600.0)**	**3.50%**	US$1,600.0	3.50%	US$(1,600.0)	3.50%
31 December 2023	**US$1,600.0**	**3.50%**	**US$(1,600.0)**	**3.50%**	US$1,600.0	3.50%	US$(1,600.0)	3.50%
31 December 2024	**US$1,600.0**	**3.50%**	**US$(1,600.0)**	**3.50%**	US$1,600.0	3.50%	US$(1,600.0)	3.50%
31 December 2025	**US$500.0**	**3.75%**	**US$(500.0)**	**3.75%**	US$500.0	3.75%	US$(500.0)	3.75%
31 December 2026	**US$500.0**	**3.75%**	**US$(500.0)**	**3.75%**	US$500.0	3.75%	US$(500.0)	3.75%

NOTE 23 INTEREST RATE RISK MANAGEMENT (CONTINUED)

Summary of interest rate positions at balance date (continued)

(b) Fixed rate debt and interest rate swaps (continued)

Fixed rate debt and swaps contracted as at the reporting date and outstanding at	**Interest rate swaps** **31 Dec 18 Notional principal amount million**	**31 Dec 18 Average rate**	**Fixed rate borrowings** **31 Dec 18 Principal amount million**	**31 Dec 18 Average rate including margin**	Interest rate swaps 31 Dec 17 Notional principal amount million	31 Dec 17 Average rate	Fixed rate borrowings 31 Dec 17 Principal amount million	31 Dec 17 Average rate including margin
€ receivable/(payable)								
31 December 2017	**–**	**–**	**–**	**–**	€2,200.0	2.07%	€(2,200.0)	2.07%
31 December 2018	**€2,700.0**	**2.01%**	**€(2,700.0)**	**2.01%**	€2,200.0	2.07%	€(2,200.0)	2.07%
31 December 2019	**€2,700.0**	**2.01%**	**€(2,700.0)**	**2.01%**	€2,200.0	2.07%	€(2,200.0)	2.07%
31 December 2020	**€2,100.0**	**2.16%**	**€(2,100.0)**	**2.16%**	€1,600.0	2.29%	€(1,600.0)	2.29%
31 December 2021	**€2,100.0**	**2.16%**	**€(2,100.0)**	**2.16%**	€1,600.0	2.29%	€(1,600.0)	2.29%
31 December 2022	**€2,100.0**	**2.16%**	**€(2,100.0)**	**2.16%**	€1,600.0	2.29%	€(1,600.0)	2.29%
31 December 2023	**€1,100.0**	**2.02%**	**€(1,100.0)**	**2.02%**	€600.0	2.25%	€(600.0)	2.25%
31 December 2024	**€500.0**	**1.75%**	**€(500.0)**	**1.75%**	–	–	–	–
31 December 2025	**€500.0**	**1.75%**	**€(500.0)**	**1.75%**	–	–	–	–
31 December 2026	**€500.0**	**1.75%**	**€(500.0)**	**1.75%**	–	–	–	–
31 December 2027	**€500.0**	**1.75%**	**€(500.0)**	**1.75%**	–	–	–	–

The Group's interest rate swaps do not meet the accounting requirements to qualify for hedge accounting treatment. Changes in fair value have been reflected in the income statement as a component of interest expense. At 31 December 2018, the aggregate fair value is a payable of $149.7 million (31 December 2017: payable of $15.0 million). The change in fair value for the year ended 31 December 2018 was a loss of $134.7 million (31 December 2017: loss of $158.8 million).

Fair value sensitivity		**31 Dec 18 $million**	31 Dec 17 $million
The sensitivity of fair value of interest rate swaps to changes in interest rates is as follows:	Interest rate movement	(Increase)/decrease in interest expense	
	-2.0%	**190.0**	59.3
	-1.0%	**89.9**	25.7
	-0.5%	**42.0**	10.2
	0.5%	**(32.7)**	(4.2)
	1.0%	**(120.0)**	(5.2)
	2.0%	**(183.8)**	0.3

The assumed movement in basis points for the interest rate sensitivity analysis is based on the current observable market environment.

All fixed rate borrowings are carried at amortised cost, therefore increases or decreases arising from changes in fair value have not been recorded in these financial statements.

(c) Interest rate options

Notional principal and contracted rates of the Group's interest rate options:

Interest rate options contracted and outstanding as at the reporting date	**Interest rate options** **31 Dec 18 Maturity**	**31 Dec 18 Notional principal amount million**	**31 Dec 18 Average strike rates**	Interest rate options 31 Dec 17 Maturity	31 Dec 17 Notional principal amount million	31 Dec 17 Average strike rates
NZ$ payable collar	**Jan 19**	**NZ$(70.0)**	**3.39% / 5.25%**	Jan 19	NZ$(70.0)	3.39% / 5.25%

The Group's interest rate options do not meet the accounting requirements to qualify for hedge accounting treatment. Changes in fair value have been reflected in the income statement as a component of interest expense. At 31 December 2018, the aggregate fair value is nil (31 December 2017: payable of $1.1 million). The change in fair value for the year ended 31 December 2018 was a gain of $1.1 million (31 December 2017: gain of $0.3 million).

The sensitivity of the fair value of interest rate options to changes in interest rates is insignificant.

NOTE 24 EXCHANGE RATE RISK MANAGEMENT

The Group is exposed to exchange rate risk on its foreign currency earnings, its distribution and its foreign currency denominated shopping centre assets and other assets. The Group manages these exposures by entering into foreign currency derivative instruments and by borrowing in foreign currencies.

Summary of foreign currency balance sheet positions at balance date

(a) Foreign currency exposures

The Group's foreign currency exposures at reporting date together with the foreign currency risk management transactions which have been entered into to manage these exposures are as follows:

	Note	**31 Dec 18 million**	31 Dec 17 million
Foreign currency net investments			
New Zealand Dollar			
NZ$ net assets		**NZ$1,378.1**	NZ$1,192.7
NZ$ borrowings		**NZ$(808.1)**	NZ$(676.9)
NZ$ denominated net assets		**NZ$570.0**	NZ$515.8
US Dollar			
US$ net assets		**US$0.4**	US$0.6
US$ borrowings		**US$(2,850.0)**	US$(2,850.0)
US$ cross currency swaps	24(b)	**US$2,850.0**	US$2,850.0
US$ denominated net assets		**US$0.4**	US$0.6
British Pound			
£ borrowings		**£(800.0)**	£(800.0)
£ cross currency swaps	24(b)	**£800.0**	£800.0
£ denominated net assets		**–**	–
Euro			
€ net assets		**–**	€0.2
€ borrowings		**€(2,700.0)**	€(2,600.0)
€ cross currency swaps	24(b)	**€2,700.0**	€2,600.0
€ denominated net assets		**–**	€0.2

The Group's foreign currency net assets are subject to exchange rate risk. Gains and losses arising from translation of the Group's foreign currency denominated net assets, and, where applicable, associated hedging instruments, where the Group has satisfied the accounting requirements to qualify for hedge accounting treatment, are reflected in the foreign currency translation reserve.

Where the Group does not satisfy the hedge accounting requirements, the changes in fair value are reflected in the income statement as either foreign currency gains or losses as appropriate.

Foreign currency sensitivity		**31 Dec 18 $million**	31 Dec 17 $million
The sensitivity of NZ$ denominated net assets to changes in the year end A$/NZ$1.0474 rate (31 December 2017: 1.1002) is as follows:	A$/NZ$ Currency movement		Gain/(loss) to foreign currency translation reserve
	- 20 cents	**128.4**	104.2
	- 10 cents	**57.4**	46.9
	- 5 cents	**27.3**	22.3
	+ 5 cents	**(24.8)**	(20.4)
	+ 10 cents	**(47.4)**	(39.1)
	+ 20 cents	**(87.3)**	(72.1)

The assumed currency movement for the foreign currency sensitivity analysis is based on the current observable market environment.

The sensitivity of US$, £ and € denominated net assets to changes in exchange rates is insignificant.

NOTE 24 EXCHANGE RATE RISK MANAGEMENT (CONTINUED)

(b) Cross currency swaps in respect of the Group's foreign currency assets and liabilities

The Group has transacted cross currency swaps in respect of its foreign currency assets and liabilities outstanding at reporting date. These contracts do not qualify as hedges of net investments in foreign operations.

Cross currency swaps contracted as at the reporting date and outstanding at	Weighted average exchange rate		Amount receivable/(payable) million			
	31 Dec 18	31 Dec 17	**31 Dec 18**	**31 Dec 18**	31 Dec 17	31 Dec 17
US$						
Contracts to receive US$ and pay A$						
31 December 2017	**–**	0.8157	**–**	**–**	A$(3,493.7)	US$2,850.0
31 December 2018	**0.8157**	0.8157	**A$(3,493.7)**	**US$2,850.0**	A$(3,493.7)	US$2,850.0
31 December 2019	**0.7925**	0.7925	**A$(2,650.0)**	**US$2,100.0**	A$(2,650.0)	US$2,100.0
31 December 2020	**0.7925**	0.7925	**A$(2,650.0)**	**US$2,100.0**	A$(2,650.0)	US$2,100.0
31 December 2021	**0.7995**	0.7995	**A$(2,001.2)**	**US$1,600.0**	A$(2,001.2)	US$1,600.0
31 December 2022	**0.7995**	0.7995	**A$(2,001.2)**	**US$1,600.0**	A$(2,001.2)	US$1,600.0
31 December 2023	**0.7995**	0.7995	**A$(2,001.2)**	**US$1,600.0**	A$(2,001.2)	US$1,600.0
31 December 2024	**0.7995**	0.7995	**A$(2,001.2)**	**US$1,600.0**	A$(2,001.2)	US$1,600.0
31 December 2025	**0.7666**	0.7666	**A$(652.3)**	**US$500.0**	A$(652.3)	US$500.0
31 December 2026	**0.7666**	0.7666	**A$(652.3)**	**US$500.0**	A$(652.3)	US$500.0
£						
Contracts to receive £ and pay A$						
31 December 2017	**–**	0.5311	**–**	**–**	A$(1,506.2)	£800.0
31 December 2018	**0.5311**	0.5311	**A$(1,506.2)**	**£800.0**	A$(1,506.2)	£800.0
31 December 2019	**0.5311**	0.5311	**A$(1,506.2)**	**£800.0**	A$(1,506.2)	£800.0
31 December 2020	**0.5311**	0.5311	**A$(1,506.2)**	**£800.0**	A$(1,506.2)	£800.0
31 December 2021	**0.5311**	0.5311	**A$(1,506.2)**	**£800.0**	A$(1,506.2)	£800.0
31 December 2022	**0.5491**	0.5491	**A$(728.5)**	**£400.0**	A$(728.5)	£400.0
31 December 2023	**0.5491**	0.5491	**A$(728.5)**	**£400.0**	A$(728.5)	£400.0
31 December 2024	**0.5491**	0.5491	**A$(728.5)**	**£400.0**	A$(728.5)	£400.0
31 December 2025	**0.5491**	0.5491	**A$(728.5)**	**£400.0**	A$(728.5)	£400.0
€						
Contracts to receive € and pay A$						
31 December 2017	**–**	0.6876	**–**	**–**	A$(3,781.5)	€2,600.0
31 December 2018	**0.6753**	0.6870	**A$(3,998.4)**	**€2,700.0**	A$(3,202.3)	€2,200.0
31 December 2019	**0.6753**	0.6870	**A$(3,998.4)**	**€2,700.0**	A$(3,202.3)	€2,200.0
31 December 2020	**0.6710**	0.6857	**A$(3,129.5)**	**€2,100.0**	A$(2,333.3)	€1,600.0
31 December 2021	**0.6710**	0.6857	**A$(3,129.5)**	**€2,100.0**	A$(2,333.3)	€1,600.0
31 December 2022	**0.6710**	0.6857	**A$(3,129.5)**	**€2,100.0**	A$(2,333.3)	€1,600.0
31 December 2023	**0.6605**	0.6903	**A$(1,665.4)**	**€1,100.0**	A$(869.2)	€600.0
31 December 2024	**0.6280**	–	**A$(796.2)**	**€500.0**	–	–
31 December 2025	**0.6280**	–	**A$(796.2)**	**€500.0**	–	–
31 December 2026	**0.6280**	–	**A$(796.2)**	**€500.0**	–	–
31 December 2027	**0.6280**	–	**A$(796.2)**	**€500.0**	–	–

At 31 December 2018, none of the above described foreign currency derivatives qualify for hedge accounting treatment. Changes in fair value have been reflected in the income statement. At 31 December 2018, the aggregate fair value is a receivable of $864.5 million (31 December 2017: $253.6 million). The change in fair value for the year ended 31 December 2018 was a gain of $610.9 million (31 December 2017: loss of $37.0 million).

The foreign currency receivable exposures above are matched to the foreign currency borrowings disclosed in Note 15, therefore the income statement is not affected by any movements in exchange rates in relation to these net positions.

NOTE 25 CREDIT RISK MANAGEMENT

The Group's credit risk arises from financial assets such as cash and cash equivalents, trade and other receivables and favourable derivative financial instruments. Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in a financial loss to the Group.

The Group considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

For cash and derivative instruments with banks and other financial institutions, credit limits have been established to ensure that the Group deals only with approved counterparties and that counterparty concentration risk is addressed and the risk of loss is mitigated. Counterparty exposure is measured as the aggregate of all obligations of any single legal entity or economic entity to the Group, after allowing for appropriate set offs which are legally enforceable. A maximum credit limit is allocated to each counterparty based on its credit rating. The counterparty credit risk associated with investment instruments is assessed based on its outstanding face value.

In accordance with the Group's policy, credit risk in respect of cash and derivative financial instruments is spread among a number of creditworthy counterparties within specified limits. The Group had 24% (31 December 2017: 22%) of its aggregate credit risk spread over two counterparties each with an S&P long term rating of AA- or higher. The remainder is spread over counterparties each with less than 10% of the aggregate credit risk and with an S&P long term rating of BBB+ or higher.

For trade and other receivables, there are no significant concentrations of credit risk. The Group also obtains security deposits from tenants in the form of cash or bank guarantees which can be called upon if the tenant is in default under the terms of the lease contract.

The maximum exposure to credit risk at balance date is the aggregate of the carrying amounts of financial assets as disclosed in Note 28.

NOTE 26 LIQUIDITY RISK MANAGEMENT

The Group undertakes active liquidity and funding risk management to enable it to have sufficient funds available to meet its financial obligations as and when they fall due, working capital and expected committed capital expenditure requirements. The Group prepares and monitors rolling forecasts of liquidity requirements on the basis of expected cash flow.

Interest bearing liabilities, financing facilities and their respective maturity profiles are disclosed in Note 15. The maturity profiles of the principal amounts of interest bearing liabilities including aggregate future estimated nominal interest and the estimated future nominal cashflows of derivative financial instruments are set out below:

	31 Dec 18 $million	31 Dec 17 $million
Interest bearing liabilities and interest		
Due within one year	**(2,329.5)**	(1,923.1)
Due between one year and five years	**(8,034.9)**	(6,243.4)
Due after five years	**(6,003.1)**	(5,759.6)
	(16,367.5)	(13,926.1)
Comprising:		
– principal amounts of current and non current interest bearing liabilities	**(14,643.1)**	(12,323.7)
– aggregate future estimated nominal interest	**(1,724.4)**	(1,602.4)
	(16,367.5)	(13,926.1)
Derivatives inflows/(outflows)		
Due within one year	**78.2**	(122.7)
Due between one year and five years	**(115.5)**	(380.9)
Due after five years	**278.1**	27.2
	240.8	(476.4)

Contingent liabilities are set out in Note 33 and are not included in the amounts shown above.

NOTE 27 FINANCIAL COVENANTS

The Group is required to comply with certain financial covenants in respect of its unsecured borrowing facilities and bond offerings. The major financial covenants are summarised as follows:

a) Leverage ratio (net debt to net assets)

– shall not exceed 65%

b) Secured debt ratio (secured debt to total assets)

– shall not exceed 40% (and not exceed 45% on certain facilities)

c) Interest cover ratio (EBITDA to interest expense excluding gains or losses from mark to market)

– at least 1.5 times

d) Unencumbered leverage ratio (unencumbered assets to unsecured debt)

– at least 150% (and at least 125% on certain facilities)

At and during the years ended 31 December 2018 and 2017, the Group was in compliance with all the above financial covenants.

NOTE 28 FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments.

		Fair value		Carrying amount	
	Fair value Hierarchy	**31 Dec 18 $million**	31 Dec 17 $million	**31 Dec 18 $million**	31 Dec 17 $million
Consolidated assets					
Cash and cash equivalents		**206.1**	174.0	**206.1**	174.0
Trade and other receivables [i] [iii]		**279.1**	219.2	**279.1**	219.2
Derivative assets [ii]	Level 2	**1,113.8**	639.8	**1,113.8**	639.8
Consolidated liabilities					
Trade and other payables [i]		**1,148.0**	1,096.1	**1,148.0**	1,096.1
Interest bearing liabilities [ii]					
– Fixed rate debt	Level 2	**10,656.5**	9,421.8	**10,506.1**	9,040.8
– Floating rate debt	Level 2	**4,136.4**	3,284.6	**4,137.0**	3,282.9
Other financial liabilities [ii]	Level 3	**696.9**	673.7	**696.9**	673.7
Derivative liabilities [ii]	Level 2	**399.0**	402.3	**399.0**	402.3

[i] These financial assets and liabilities are not subject to interest rate risk and the fair value approximates carrying amount.

[ii] These financial assets and liabilities are subject to interest rate and market risks, the basis of determining the fair value is set out in the fair value hierarchy below.

[iii] Loss allowance for trade and other receivables amounted to $25.9 million as at 31 December 2018. This includes $7.4 million of opening balance adjustment from the adoption of AASB 9 effective 1 January 2018 and $0.1 million increase in loss allowance recognised in the income statement during the period.

Determination of fair value

The Group uses the following hierarchy for determining and disclosing the fair value of a financial instrument. The valuation techniques comprise:

Level 1: the fair value is calculated using quoted (unadjusted) prices in active markets for identical assets or liabilities.

Level 2: the fair value is estimated using inputs other than quoted prices that are observable, either directly (as prices) or indirectly (derived from prices).

Level 3: the fair value is estimated using inputs that are not based on observable market data.

In assessing the fair value of the Group's financial instruments, consideration is given to available market data and if the market for a financial instrument changes then the valuation technique applied will change accordingly.

During the year, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

	Property linked notes[i] 31 Dec 18 $million	Property linked notes[i] 31 Dec 17 $million
Level 3 fair value movement		
Balance at the beginning of the year	**673.7**	1,012.5
Repayment of other financial liabilities	**–**	(416.6)
Net fair value loss included in financing costs in the income statement	**23.2**	77.8
Balance at the end of the year	**696.9**	673.7

[i] The fair value of the property linked notes has been determined by reference to the fair value of the relevant Westfield shopping centres (refer to Note 16).

Investment properties are considered Level 3, refer to Note 3: Investment Properties and Note 4: Details of shopping centre investments for relevant fair value disclosures.

NOTE 29 OTHER SIGNIFICANT ACCOUNTING POLICIES

(a) Consolidation and classification

This consolidated financial report comprises the financial statements and notes to the financial statements of the Parent Company, and each of its controlled entities which includes SGT1, SGT2 and SGT3 from the date the Parent Company obtained control and until such time control ceased. The Parent Company and Subsidiaries are collectively referred to as the economic entity known as the Group. Where entities adopt accounting policies which differ from those of the Parent Company, adjustments have been made so as to achieve consistency within the Group.

In preparing the consolidated financial statements all inter-entity transactions and balances, including unrealised profits arising from intra-group transactions, have been eliminated in full. Unrealised losses are eliminated unless costs cannot be recovered.

i) Synchronisation of Financial Year

By an order dated 27 June 2005, made by the Australian Securities and Investments Commission (ASIC) pursuant to subsection 340(1) of the Corporations Act, the Directors of the Parent Company have been relieved from compliance with subsection 323D(3) of the Corporations Act insofar as that subsection requires them to ensure the financial year of the controlled entity Carindale Property Trust (CPT), coincides with the financial year of the Parent Company.

Notwithstanding that the financial year of CPT ends on 30 June, the consolidated financial statements have been prepared so as to include the accounts for a period coinciding with the financial year of the Parent Company being 31 December.

ii) Joint arrangements

Joint operations

The Group has significant co-ownership interests in a number of properties through unincorporated joint ventures. These interests are held directly and jointly as tenants in common. The Group has the rights to the individual assets and obligations arising from these interests and recognises its share of the net assets, liabilities, revenues and expenses of the operation.

Joint ventures

The Group has significant co-ownership interests in a number of properties through property partnerships or trusts. These joint ventures are accounted for using the equity method of accounting.

The Group and its joint ventures use consistent accounting policies. Investments in joint ventures are carried in the consolidated balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The consolidated income statement reflects the Group's share of the results of operations of the joint ventures.

iii) Controlled entities

Where an entity either began or ceased to be a controlled entity during the reporting period, the results are included only from the date control commenced or up to the date control ceased. Non controlling interests are shown as a separate item in the consolidated financial statements.

(b) Goodwill

Goodwill on acquisition is initially measured at cost being the excess of the cost of the business combination over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses and is not amortised.

(c) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except where the GST incurred on the purchase of goods and services is not recoverable from the tax authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable. Receivables and payables are stated with the amounts of GST included.

The net amount of GST payable or receivable to government authorities is included as part of receivables or payables on the balance sheet.

Cash flows are included in the cash flow statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flow.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(d) Other financial instruments

The accounting policies adopted in relation to other material financial instruments are detailed as follows:

i) Trade and other receivables

Trade and other receivables are held to collect contractual cash flows and these contractual cash flows are solely payments of principal and interest. At initial recognition, these are measured at fair value.

Trade and other receivables are subsequently measured at amortised cost using the effective interest rate method, reduced by impairment losses. Interest income and impairment losses are recognised in the income statement. The receivable is written off when there is no reasonable expectation of recovering the contractual cash flows. Any gain or loss on derecognition is also recognised in the income statement.

In assessing for impairment under AASB 9, the Group assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. For trade receivables, the Group applies the simplified approach permitted by the standard, which requires lifetime expected losses to be recognised from initial recognition of the receivables.

To measure the expected credit losses, trade debtors and other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on outstanding balances, days past their due date and the corresponding historical credit losses experienced. Historical loss rates are adjusted to reflect current and forward looking information on macroeconomic factors (including GDP) affecting the ability of customers to settle their debts.

In assessing for impairment in prior years prior to the adoption of AASB 9, collectability of trade and other receivables was reviewed on an ongoing basis. Individual debts that are determined to be uncollectible are written off when identified. An impairment provision for doubtful debts is recognised when there is evidence that the Group will not be able to collect the receivable.

ii) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short term nature they are not discounted. They represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 60 days.

(e) Recoverable amount of assets

At each reporting date, the Group assesses whether there is any indication that an asset may be impaired. Where an indicator of the impairment exists, the Group makes an estimate of recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

	Note	Number of rights 31 Dec 18	Number of rights 31 Dec 17
NOTE 30 SHARE BASED PAYMENTS			
(a) Rights over Scentre Group stapled securities [1]			
– Performance rights – STAR	30(b)(i)	**3,638,973**	4,289,143
– Performance rights – LTAR	30(b)(ii)	**7,334,982**	6,662,710
		10,973,955	10,951,853

[1] The exercise price for these rights is nil.

(b) Equity settled share based payments

(i) Performance rights – STAR – Equity settled over Scentre Group stapled securities (Performance rights – STAR)

	Number of rights 31 Dec 18	Number of rights 31 Dec 17
Movement in Performance rights – STAR		
Balance at the beginning of the year	**4,289,143**	4,769,399
Rights issued during the year	**1,971,912**	2,030,484
Rights exercised during the year	**(2,110,228)**	(2,325,919)
Rights forfeited during the year	**(511,854)**	(184,821)
Balance at the end of the year	**3,638,973**	4,289,143

Vesting profile	Fair value granted $million 31 Dec 18	Number of rights at[1] 31 Dec 18	Fair value granted $million 31 Dec 17	Number of rights at[1] 31 Dec 17
2018	**–**	**–**	7.5	2,302,179
2019	**6.7**	**1,790,086**	7.4	1,986,964
2020	**6.8**	**1,848,887**	–	–
	13.5	**3,638,973**	14.9	4,289,143

[1] The exercise price for these rights is nil.

Accounting Policies

Performance rights – STAR

The Performance rights – STAR is a plan in which senior executives and high performing employees participate. The fair value of the rights issued is measured at each grant date using a Black Scholes option pricing model. The inputs include the Group's 10 day volume weighted average security price prior to the grant date, the risk free interest rate, expected volatility and expected dividend yield during the vesting period. Expected volatility is based on the historical security price volatility over the past 3 years. Executives are not able to call for early exercise of the rights, however there are provisions in the plan to allow for early vesting at the discretion of the Board. Vesting conditions such as the number of employees remaining in service is taken into account in determining the total amortisation for each reporting period. The terms of the Performance rights – STAR are described in section 8.7 of the Directors' Report.

(b) Equity settled share based payments (continued)

(ii) Performance rights – LTAR – Equity settled over Scentre Group stapled securities (Performance rights – LTAR)

	Number of rights 31 Dec 18	Number of rights 31 Dec 17
Movement in Performance rights – LTAR		
Balance at the beginning of the year	**6,662,710**	5,881,891
Rights issued during the year	**3,517,504**	2,674,094
Rights exercised during the year	**(2,845,232)**	(1,893,275)
Balance at the end of the year	**7,334,982**	6,662,710

Vesting profile	**Fair value granted $million 31 Dec 18**	**Number of rights at[i] 31 Dec 18**	Fair value granted $million 31 Dec 17	Number of rights at[i] 31 Dec 17
2018	**–**	**–**	8.3	2,737,114
2019	**9.6**	**2,646,917**	9.0	2,523,743
2020	**11.2**	**3,014,399**	5.0	1,401,853
2021	**6.1**	**1,673,666**	–	–
	26.9	**7,334,982**	22.3	6,662,710

[i] The exercise price for these rights is nil.

Accounting Policies

Performance rights – LTAR

The senior leadership team of Scentre Group participate in the Performance rights – LTAR. The fair value of the rights issued is measured at each grant date using a Black Scholes option pricing model. The inputs include the Group's 10 day volume weighted average security price prior to the grant date, the risk free interest rate, expected volatility and expected dividend yield during the vesting period. Expected volatility is based on the historical security price volatility over the past 3 years. Other vesting conditions include meeting the performance hurdles applicable under the Performance rights – LTAR as determined annually by the Human Resources Committee. The hurdles chosen by the Human Resources Committee for the 2018 qualifying year are set out in section 8.7(ii) of the Directors' Report. Vesting conditions such as number of employees remaining in service is taken into account in determining the total amortisation for each reporting period. In calculating the Black Scholes' value of rights granted it has been assumed that the performance hurdle conditions are met. The terms of the Performance rights – LTAR are described in section 8.7 of the Directors' Report.

Accounting for equity settled share based payments

During the year, $18.5 million (31 December 2017: $14.5 million) was charged to the income statement as gross amortisation in respect of equity settled share based payments and the corresponding entry is recorded against the employee share plan benefits reserve.

(c) Cash settled share based payments

(i) Performance rights – STAR – Cash settled over Westfield Corporation stapled securities (Performance rights – STAR (WFD))

	Number of rights 31 Dec 18	Number of rights 31 Dec 17
Movement in Performance rights – STAR (WFD)		
Balance at the beginning of the year	**–**	59,319
Awards exercised during the year	**–**	(59,319)
Balance at the end of the year	**–**	–

(ii) Performance rights – LTAR – Cash settled over Westfield Corporation stapled securities (Performance rights – LTAR (WFD))

	Number of rights 31 Dec 18	Number of rights 31 Dec 17
Movement in Performance rights – LTAR (WFD)		
Balance at the beginning of the year	**–**	258,038
Awards exercised during the year	**–**	(258,038)
Balance at the end of the year	**–**	–

Accounting for cash settled share based payments

The accounts of the Group and the remuneration disclosures in this Annual Report disclose the full liability to members of the grant of performance rights under the Group's performance rights plans, and not simply the amortisation of the nominal amount of the grant when it was originally made. At the date of granting a performance right, the nominal value is adjusted for anticipated increases in the value of that performance right over its life.

Assumptions regarding both future distributions and security price increases are made to estimate the Group's future liability with respect to each performance right. The estimated future liability is then amortised over the life of the performance right. At the end of each accounting period (and at the date of settlement) the performance rights are adjusted to fair market value with any adjustments recognised in the profit or loss.

During the year, nil (31 December 2017: $0.2 million) was charged to the income statement as gross amortisation in respect of cash settled share based payments.

	31 Dec 18 $million	31 Dec 17 $million

NOTE 31 LEASE COMMITMENTS

Operating lease receivables

The following is prepared on a proportionate basis which includes both consolidated and equity accounted lease commitments.

Substantially all of the property owned and leased by the Group is leased to third party retailers. Lease terms vary between retailers and some leases include percentage rental payments based on sales revenue.

Future minimum rental revenues under non cancellable operating property leases:

Due within one year	**1,635.2**	1,535.2
Due between one and five years	**4,088.9**	3,899.3
Due after five years	**2,135.1**	2,100.2
	7,859.2	7,534.7

These amounts do not include percentage rentals which may become receivable under certain leases on the basis of retailer sales in excess of stipulated minimums and do not include recovery of outgoings.

	31 Dec 18 $million	31 Dec 17 $million

NOTE 32 CAPITAL EXPENDITURE COMMITMENTS

The following is prepared on a proportionate basis which includes both consolidated and equity accounted capital expenditure commitments.

Estimated capital expenditure committed at balance date but not provided for in relation to development projects:

Due within one year	**223.4**	547.4
Due between one and five years	**17.0**	374.4
	240.4	921.8

NOTE 33 CONTINGENT LIABILITIES

The following is prepared on a proportionate basis which includes both consolidated and equity accounted contingent liabilities.

Performance guarantees	**79.9**	91.1
	79.9	91.1

Entities of Scentre Group have provided guarantees in respect of certain Westfield Corporation Limited joint venture operations in the United Kingdom. Under the Restructure and Merger Implementation Deed, the entities of Scentre Group and Westfield Corporation have cross indemnified each other for any claims that may be made or payment that may be required under such guarantees. On 7 June 2018, Unibail-Rodamco-Westfield acquired the entities of Westfield Corporation, including Westfield Corporation Limited.

The Group's obligation in respect of performance guarantees may be called on at anytime dependant upon the performance or non performance of certain third parties.

From time to time, in the normal course of business, the Group is involved in lawsuits. The Directors believe that the ultimate outcome of such pending litigation will not materially affect the results of operations or the financial position of the Group.

	31 Dec 18 $million	31 Dec 17 $million

NOTE 34 PARENT COMPANY

The Parent Company financial information is presented in accordance with the amendments to the Corporations Regulations 2001 and the Corporations Amendment Regulations 2010 (No. 6). Summary data of the Parent Company is disclosed as follows:

(a) Assets		
Current assets	**977.5**	978.5
Non current assets	**4,808.2**	4,762.3
Total assets	**5,785.7**	5,740.8
(b) Liabilities		
Current liabilities	**1,663.5**	1,680.1
Non current liabilities	**55.0**	54.8
Total liabilities	**1,718.5**	1,734.9
(c) Equity		
Contributed equity	**370.0**	371.1
Employee share plan benefits reserve	**3.0**	3.0
Asset revaluation reserve	**3,587.6**	3,542.7
Reserves [i]	**157.6**	140.1
Retained profits	**(51.0)**	(51.0)
Total equity	**4,067.2**	4,005.9
(d) Comprehensive income		
Profit after tax for the period	**142.6**	108.3
Other comprehensive income	**44.9**	294.2
Total comprehensive income for the period	**187.5**	402.5
(e) Contingent liabilities		
Guaranteed borrowings of controlled entities [ii]	**14,774.7**	12,420.7
Total contingent liabilities	**14,774.7**	12,420.7

[i] The Directors of the Parent Company approved the transfer of $142.6 million of the Parent Company's profit for the 2018 financial year to reserves. In 2017, the Directors of the Parent Company approved the transfer of $108.3 million of the Parent Company's profit for the 2017 financial year to reserves.

[ii] The Parent Company has entered into guarantee arrangements with SGT1, SGT2, SGT3 and a number of associated finance subsidiaries on a joint and several basis covering the Group's banking facilities and debt issuances. Under the arrangements, the Parent Company is guaranteed by, and is guarantor to SGT1, SGT2, SGT3 and the finance subsidiaries.

NOTE 35 SUBSIDIARIES

Financial information of SGT1 and SGT2 are provided below as they have material non controlling interests:

Scentre Group Trust 1

As at 31 December 2018, SGT1 held current assets of $0.4 billion, non current assets of $20.2 billion, current liabilities of $3.0 billion and non current liabilities of $8.1 billion (31 December 2017: current assets of $1.0 billion, non current assets of $18.8 billion, current liabilities of $2.3 billion and non current liabilities of $8.6 billion).

As at 31 December 2018, the total equity held by SGT1 was $9.5 billion (31 December 2017: $8.9 billion).

The profit after tax for the period was $962.0 million and total comprehensive income was $974.0 million (31 December 2017: profit after tax for the period was $1,886.3 million and total comprehensive income was $1,870.0 million). The revenue for the period was $616.7 million (31 December 2017: $590.6 million).

Scentre Group Trust 2

As at 31 December 2018, SGT2 held current assets of $0.2 billion, non current assets of $19.1 billion, current liabilities of $1.1 billion and non current liabilities of $4.6 billion (31 December 2017: current assets of $0.1 billion, non current assets of $17.3 billion, current liabilities of $2.0 billion and non current liabilities of $2.2 billion).

As at 31 December 2018, the total equity held by SGT2 was $13.6 billion (31 December 2017: $13.2 billion).

The profit after tax for the period was $1,129.6 million and total comprehensive income was $1,141.6 million (31 December 2017: profit after tax for the period was $2,205.1 million and total comprehensive income was $2,189.6 million). The revenue for the period was $580.0 million (31 December 2017: $543.2 million).

	31 Dec 18 $000	31 Dec 17 $000
NOTE 36 AUDITOR'S REMUNERATION		
Amounts received or due and receivable by the auditor of the Parent Company and any other entity in the Group for:		
– Audit or review of the financial reports	**2,935**	3,035
– Assurance and compliance services	**920**	662
– Technical accounting advice and services [i]	**30**	270
	3,885	3,967
Amounts received or due and receivable by affiliates of the auditor of the Parent Company for:		
– Audit or review of the financial reports	**260**	288
– Assurance and compliance services	**–**	8
	260	296
	4,145	4,263

[i] These amounts represent non-audit services provided by the auditor.

NOTE 37 SUPERANNUATION COMMITMENTS

The Group sponsors accumulation style superannuation funds to provide retirement benefits to its employees. There are no unfunded liabilities in respect of these superannuation funds and plans. The Group does not sponsor defined benefits style superannuation funds and plans.

NOTE 38 RELATED PARTY DISCLOSURES

Information required to be disclosed concerning relationships, transactions and balances with related parties of the Group is set out in this Note unless disclosed elsewhere in this financial report.

Nature of relationship with related parties

Key Management Personnel of the entity

Refer to Note 39 and the Remuneration Report in the Directors' Report for details of Key Management Personnel.

Other Related Parties

LFG Services Pty Limited and The Lowy Institute for International Policy (LFG), their related entities and other entities controlled by members of the Lowy family are considered to be related parties of the Group. This is due to LFG being under the control or significant influence of Mr Steven Lowy, a non-executive Director of the Group.

Transactions and their terms and conditions with related parties

Transactions with Key Management Personnel of the entity

Refer to Note 39 and the Remuneration Report in the Directors' Report for remuneration of Key Management Personnel.

Transactions with Other Related Parties

The Group has an agreement with LFG to provide office space and other services. The Group charged LFG $3,180,208 (31 December 2017: $2,001,870) for the lease of office space and other services on commercial arm's length terms.

There were no amounts payable to or receivable from LFG as at 31 December 2018 (31 December 2017: nil).

No provision for doubtful debts has been recognised or bad debts incurred with respect to amounts payable or receivable from LFG for the year ended 31 December 2018 (31 December 2017: nil).

The Group has established protocols governing transactions with related parties which are monitored and reviewed by the Audit and Risk Committee.

NOTE 39 DETAILS AND REMUNERATION OF KEY MANAGEMENT PERSONNEL

Key Management Personnel are those individuals having the authority and responsibility for planning, directing and controlling the activities of the Group, either directly or indirectly. The non-executive Directors, Chief Executive Officer and other senior executives are considered Key Management Personnel.

(a) Key Management Personnel

As at 31 December 2018, the Board comprises the following directors:

Brian Schwartz AM	Non-Executive Chairman
Peter Allen	Chief Executive Officer/Executive Director
Andrew Harmos	Non-Executive Director
Michael Ihlein	Non-Executive Director
Carolyn Kay	Non-Executive Director
Aliza Knox	Non-Executive Director
Steven Lowy AM	Non-Executive Director
Margaret Seale	Non-Executive Director

In addition to the Chief Executive Officer, during the year the following executives were Key Management Personnel:

Mark Bloom	Chief Financial Officer
Greg Miles	Chief Operating Officer

Steven Lowy will retire from his role as a Non-Executive Director and Mark Bloom will retire from his role as Chief Financial Officer at the Group's AGM on 4 April 2019.

(b) Remuneration of Key Management Personnel

The amounts below represent the total remuneration amounts for Key Management Personnel (KMP). A detailed discussion on KMP remuneration is in the Directors' Report rather than the financial report so as to avoid duplication of information. As such, refer to the Remuneration Report (which has been audited) in the Directors' Report for further details concerning disclosure of KMP remuneration.

The aggregate remuneration for the twelve months was:

	Short term benefits				Post Employment	Termination Benefits	Share Based	TOTAL
Key Management Personnel	Fixed remuneration[i] $	Cash STAR $	Non-monetary benefits $	Other short term employee benefits[ii] $	Other post employment benefits $	Termination benefits $	Amortisation of cash and equity settled share based payments[iii] $	$
Key management personnel – directors								
31 December 2018	**4,258,250**	**1,695,750**	**–**	**102,692**	**–**	**–**	**3,937,901**	**9,994,593**
31 December 2017	4,200,000	1,740,375	–	(12,692)	–	–	3,713,214	9,640,897
Key management personnel – non directors								
31 December 2018	**2,600,000**	**2,077,250**	**–**	**1,577**	**–**	**–**	**3,448,199**	**8,127,026**
31 December 2017	2,600,000	2,133,250	–	67,730	–	–	2,694,418	7,495,398
Total key management personnel								
31 December 2018	**6,858,250**	**3,773,000**	**–**	**104,269**	**–**	**–**	**7,386,100**	**18,121,619**
31 December 2017	6,800,000	3,873,625	–	55,038	–	–	6,407,632	17,136,295

(i) Fixed remuneration is inclusive of statutory superannuation benefits.

(ii) Comprising annual leave and long service leave entitlements.

(iii) Refer to the Remuneration Report in the Directors' Report for further details regarding the operation of share based payments.

(c) Rights held by Key Management Personnel

Rights held by executive Key Management Personnel under the Group's equity-linked incentive plans are disclosed in the Remuneration Report.

(d) Other transactions and balances with Key Management Personnel

During the financial year, transactions occurred between the Group and Key Management Personnel which were within normal employee, customer or supplier relationships on terms and conditions no more favourable than those available to other employees, customers or suppliers, being the performance of contracts of employment, the reimbursement of expenses, and the payment of dividends/distributions by the Group in respect of stapled securities held in the Group.

NOTE 40 DETAILS OF MATERIAL AND SIGNIFICANT ENTITIES

	31 Dec 18 – Interest Beneficial[1]			31 Dec 17 – Interest Beneficial[1]		
Name of entity	Parent Company %	Scentre Group %	Consolidated or Equity accounted %	Parent Company %	Scentre Group %	Consolidated or Equity accounted %
ENTITIES INCORPORATED IN AUSTRALIA						
Parent Company						
Scentre Group Limited	**100.0**	**100.0**	**100.0**	100.0	100.0	100.0
Consolidated Controlled Entities						
Scentre Group Trust 1	**–**	**100.0**	**100.0**	–	100.0	100.0
Scentre Group Trust 2	**–**	**100.0**	**100.0**	–	100.0	100.0
Scentre Group Trust 3	**–**	**100.0**	**100.0**	–	100.0	100.0
Scentre Finance (Aust) Limited	**100.0**	**100.0**	**100.0**	100.0	100.0	100.0
Scentre Limited	**100.0**	**100.0**	**100.0**	100.0	100.0	100.0
ENTITIES INCORPORATED IN NEW ZEALAND						
Consolidated Controlled Entities						
RE (NZ) Finance Limited	**–**	**100.0**	**100.0**	–	100.0	100.0
RE (NZ) Finance No. 2 Limited	**–**	**100.0**	**100.0**	–	100.0	100.0
Scentre NZ Holdings Limited	**–**	**100.0**	**100.0**	–	100.0	100.0
SCG1 Finance (NZ) Limited	**–**	**100.0**	**100.0**	–	100.0	100.0
SCG1 Finance (NZ) No. 2 Limited	**–**	**100.0**	**100.0**	–	100.0	100.0

[1] Beneficial interest in underlying controlled and equity accounted entities reflects the Parent Company being Scentre Group Limited and its subsidiaries (excluding SGT1, SGT2 and SGT3) and Scentre Group's ownership interest as determined under International Financial Reporting Standards (IFRS).

Directors' Declaration

FOR THE YEAR ENDED 31 DECEMBER 2018

The Directors of Scentre Group Limited (Company) declare that:

(a) in the Directors' opinion, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

(b) in the Directors' opinion, the Financial Statements and notes thereto are in accordance with the Corporations Act 2001, including:

(i) complying with accounting standards and regulations in accordance with section 296 of the Corporations Act 2001;

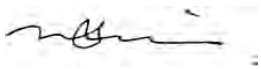
(ii) giving a true and fair view of the financial position as at 31 December 2018 and the performance of the consolidated entity for the year ended on that date in accordance with section 297 of the Corporations Act 2001;

(iii) the International Financial Reporting Standards issued by the International Accounting Standards Board; and

(c) they have been provided with the declarations required by section 295A of the Corporations Act 2001.

Made on 20 February 2019 in accordance with a resolution of the Board of Directors.

Brian Schwartz AM
Chairman



Michael Ihlein
Director

20 February 2019

SCENTRE GROUP

Scentre Management Limited

(ABN 41 001 670 579)
in its capacity as responsible entity and trustee of
Scentre Group Trust 1
(ARSN 090 849 746)
and

RE1 Limited

(ABN 80 145 743 862)
in its capacity as responsible entity and trustee of
Scentre Group Trust 2
(ARSN 146 934 536)

US$ % Guaranteed Senior Notes due

Fully and unconditionally guaranteed by
Scentre Group Limited
ABN 66 001 671 496
and
RE2 Limited
ABN 41 145 744 065
in its capacity as responsible entity and trustee of Scentre Group Trust 3
ARSN 146 934 652

OFFERING MEMORANDUM

, 2020

BNP PARIBAS **Citigroup** **J.P. Morgan** **SMBC Nikko**
BofA Securities **Morgan Stanley** **MUFG** **Scotiabank**
ANZ Securities **Commonwealth Bank of Australia**
Bank of China